



EUROPEAN NEWS

Internal divisions cloud East-West weapons talks

BY JUDY DEMPSEY IN VIENNA

FRANCE, West Germany and the Soviet Union are all eager, for different reasons, to get a new round of East-West talks on conventional arms off the ground as soon as possible.

But there are differences of emphasis within the Western camp, and also within the Eastern camp, about how many compromises should be made to achieve this goal.

EC court overturns Italian pasta law

By Tim Dickson in Brussels

THE ITALIAN pasta may soon be sampling West German pasta following a key judgment by the European Court of Justice announced in Luxembourg yesterday.

Moscow rejects demands of rebel Armenians

BY QUENTIN PEEL IN MOSCOW

THE SOVIET authorities in Moscow have determined not to make any new concessions to Armenian nationalist demands, in spite of further massive demonstrations and continuing strikes in support of self-determination for the enclave of Nagorno-Karabakh.

A government spokesman yesterday flatly rejected the legality of the decision by the local council in the mountain region to secede from the Soviet republic of Azerbaijan and join the neighbouring republic of Armenia.

He confirmed, however, that the President of the Supreme Soviet of the USSR - the country's highest constitutional authority - would be meeting in an effort to mediate in the dispute between the two Transcaucasian republics.

His statement came after a big new demonstration - estimated at between 200,000 and 300,000 people - was reported in Yerevan, the Armenian capital, on Wednesday night, and the Soviet police confirmed the seizure of arms and ammunition in Nagorno-Karabakh itself.

From Azerbaijan had no legal basis. The region fell under the authority of Azerbaijan, which had declared it null and void, he said.

Angry protests fail to halt nuclear plant in Crimea

BY QUENTIN PEEL

A MASS popular protest has failed to halt the construction of a nuclear power station in the Soviet Crimea - one of the country's most popular holiday spots - in spite of claims that the area is prone to earthquakes.

The power station is set to be commissioned next year, although a thorough study of the seismology, following a minor tremor recorded last year, will not be ready before 1990, it was reported yesterday.

It is sharply critical of the failure of the Soviet authorities - both the republican government in the Ukraine and the national ministries - to give more public information about the plant, and the evidence for and against the danger of earthquakes.

As a result, the newspaper says, the mass protest became wider and more passionate.

The latest evidence of seismic activity came in April last year, when the Institute of Seismology of the Ukrainian Academy of Sciences recorded a tremor in the region. Although it caused no damage or injury, it was enough for the director of the institute to write to the central committee of the Communist Party in Moscow, warning that the station was being built on a geological fault.

Kohl at Bundesbank amid interest rate speculation

BY HAIG SIMONIAN IN FRANKFURT

CHANCELLOR Helmut Kohl of West Germany attended yesterday's regular meeting of the Bundesbank's governing council amid further rises in the value of the dollar against the D-Mark and continuing speculation as to when German interest rates will again be raised.

Mr Kohl has been paying a series of visits to independent German institutions recently. However, with the dollar climbing to near DM 1.85 in Frankfurt yesterday and holding at around the same level in London, currency questions probably occupied a substantial part of the agenda.

Frankfurt sets out to tower over Europe

BY HAIG SIMONIAN IN FRANKFURT

WITH torrential rain barely giving way to heavy evening's official ground-breaking ceremony for Europe's tallest skyscraper, the Messeturm in Frankfurt, hardly got off to the most auspicious start.

Struggling with the five-handed shovel, the dignitaries ceremoniously dug out the first clod of earth from what will be the base for the 254 metre tower.

Greece jails Palestinian wanted in US

By Andreas Ierodiakou in Athens

A GREEK court yesterday sentenced a 36-year-old Palestinian Mohammed Rashid, who is wanted in the US in connection with a terrorist attack, to seven months' imprisonment.

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Hungary nears agreement on sharp cuts in subsidies

BY LESLIE COLTBY IN BUDAPEST

THE CENTRAL committee of the Hungarian Communist Party yesterday approved in principle wide-ranging economic reforms which would hit deep into the standard of living of ordinary Hungarians and increase unemployment.

Budapest boosts radio broadcasts to Romania

By Leslie Coltby

HUNGARY has introduced a new tactic in its war of "wolves with sheep" by increasing its powerful radio transmitter to improve reception of Radio Budapest among the 1.7m ethnic Hungarians in Romania.

Portuguese pay

PORTUGUESE unions yesterday demanded a revision of a national wage and prices accord as official figures showed the annual inflation rate would rise considerably above the government's target of 5.5 to 6.5 per cent.

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Kieran Cooke reports that an airport in the west of Ireland is turning in a small profit after linking up with Ryanair. Knock scorns the sceptics' predictions with a runway success

KNOCK AIRPORT, 600 feet up a steep bog mountain in the isolated west of Ireland, is one of Europe's more isolated commercial enterprises.

Knock was the inspiration of the late Monsignor James Moran, who wanted not only to bring pilgrims to a nearby Catholic shrine, but also to improve communications between the west of Ireland and the outside world.

"We had an airport capable of handling the biggest jets. But no one wanted to fly here," says Mr Seanus Moushgan, chairman of Knock Airport. Mr Moran was not worried, putting his faith in heavenly intervention. "Sure enough, 10 days later we had a letter of application from Ryanair," said Mr Moushgan.

Knock Airport was opened in May 1986. But when it was completed no airline seemed interested in using Knock

world's largest aircraft leasing company, based at Shannon airport, in the south west of Ireland. Two of his sons are closely involved in Ryanair operations.

The company leases seven BAC 111s from the Romanian airline, Tarom, for use on its British and European routes. Some pilots have also been recruited from Romania. In the near future Ryanair will be taking out leases on two Airbus A320s and by 1991 hopes to have at least 15 jets in operation as well as eight turbo-prop serving the smaller Irish centres.

is expected as airports like Knock and Bigo, further to the west, expand. Ryanair is now locked in an open bitter battle with Aer Lingus for passengers, particularly on the Dublin/London and Dublin/Liverpool routes.

Last year Ryanair says it carried 416,000 passengers and expects to carry more than 700,000 this year. So far, passenger numbers seem to have matched increased capacity on both Ryanair and Aer Lingus flights.

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J.P. Viciolisa



WORLD TRADE NEWS

Australia unveils plan to reform trade in services

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA yesterday unveiled a blueprint for an agreement on trade in services which is likely to be the basis for negotiations leading up to the meeting of world trade ministers in Montreal in December.

Cautious welcome for farm exporters' plan

BY WILLIAM DULLFORCE IN GENEVA

THE US and the European Community yesterday gave cautious but critical approval to the plan for world farm-trade reform presented on Wednesday by the 13 farm-exporting countries of the Cairns group.



Daniel Amstutz, Cairns proposals helpful

David Dodwell reports that manufacturers are jostling for position as the airline ponders its choices

Fast-growing Cathay keeps its fleet options open

"IF THERE is any one thing we can be certain of, it is that we will not be replacing 12 Tristars with 12 of anything else," says Mr Rod Edgington, Cathay Pacific's commercial director, after a flurry of speculation over the Hong Kong airline's purchasing plans.

With traffic growth over the past year of 200 per cent between Hong Kong and Taiwan, more than 100 per cent between Hong Kong and Japan, and 50 per cent between Hong Kong and Seoul, more and more routes once regarded as short-haul, and served by Tristars, are now requiring regular 747 services.

option is ideal. McDonnell Douglas's MD-11 has new technology and a two-man cockpit can carry 280 passengers, but uses three engines. It has the virtue of being available for service next year, which might make it an ideal complement to expansion of the 747 fleet.

Nim Caswell reports on a UK export drive in French Africa

Francophones face British challenge

A BRITISH drive to increase exports to francophone Africa has been under way this week, with Mrs Lynda Chalker, the British Foreign Office minister, leading a team of businessmen to the Ivory Coast, Cameroon and Congo.



Chalker: trade mission to Ivory Coast, Cameroon and Congo

exchange shortages and rapidly depreciating currencies. Even so, the reality may not be quite so damning of British export efforts as the raw data suggest.

Japan urges Reagan to veto US trade bill

BY STEFAN WAGSTYL IN TOKYO

JAPAN yesterday urged President Reagan to veto the Omnibus Trade Bill which this week passed the House of Representatives and is expected to win approval in the Senate.

Toyota considers boosting Californian truck output

BY CARLA RAPAPORT IN TOKYO

TOYOTA is holding talks with General Motors about producing trucks at NUMMI, the two companies' joint venture plant in California.

AMERICAN NEWS

Salinas hails 'new mandate' as opposition rejects poll figures

BY IVO DAWNAY AND DAVID GARDNER IN MEXICO CITY

MR CARLOS Salinas de Gortari, candidate of the Institutional Revolutionary Party (PRI) in Mexico's presidential election, has greeted his victory - officially declared late on Wednesday - as a mandate for change.

Sandinista hard line intended to regain the initiative

Tim Coone in Managua looks at a strategic gamble

THE decision by the Nicaraguan Government to expel the US ambassador, close a newspaper and radio station and suspend the initiative in the Central American peace process, has been met with surprise and concern.

But having started a dialogue, the Government also won some big concessions - recognition by the Contras of the legitimacy of the existing government and the start of a process of demobilising the Contras and their incorporation back into civilian life.

The Sandinistas have decided to make their political position clear. Disarmament of the Contras and an end to the war, in return for open elections and freedom of expression for the former Contras, are on offer.

Convention may see Jackson challenge

BY STEWART FLEMING IN WASHINGTON

REVEREND Jesse Jackson, the black candidate who has been Governor Michael Dukakis's most persistent rival for the Democratic Party's presidential nomination, has indicated that he may be prepared to see his name go forward as a nominee for vice-president at the party convention in Atlanta, Georgia next week.

Democrats face pressure over Nicaragua

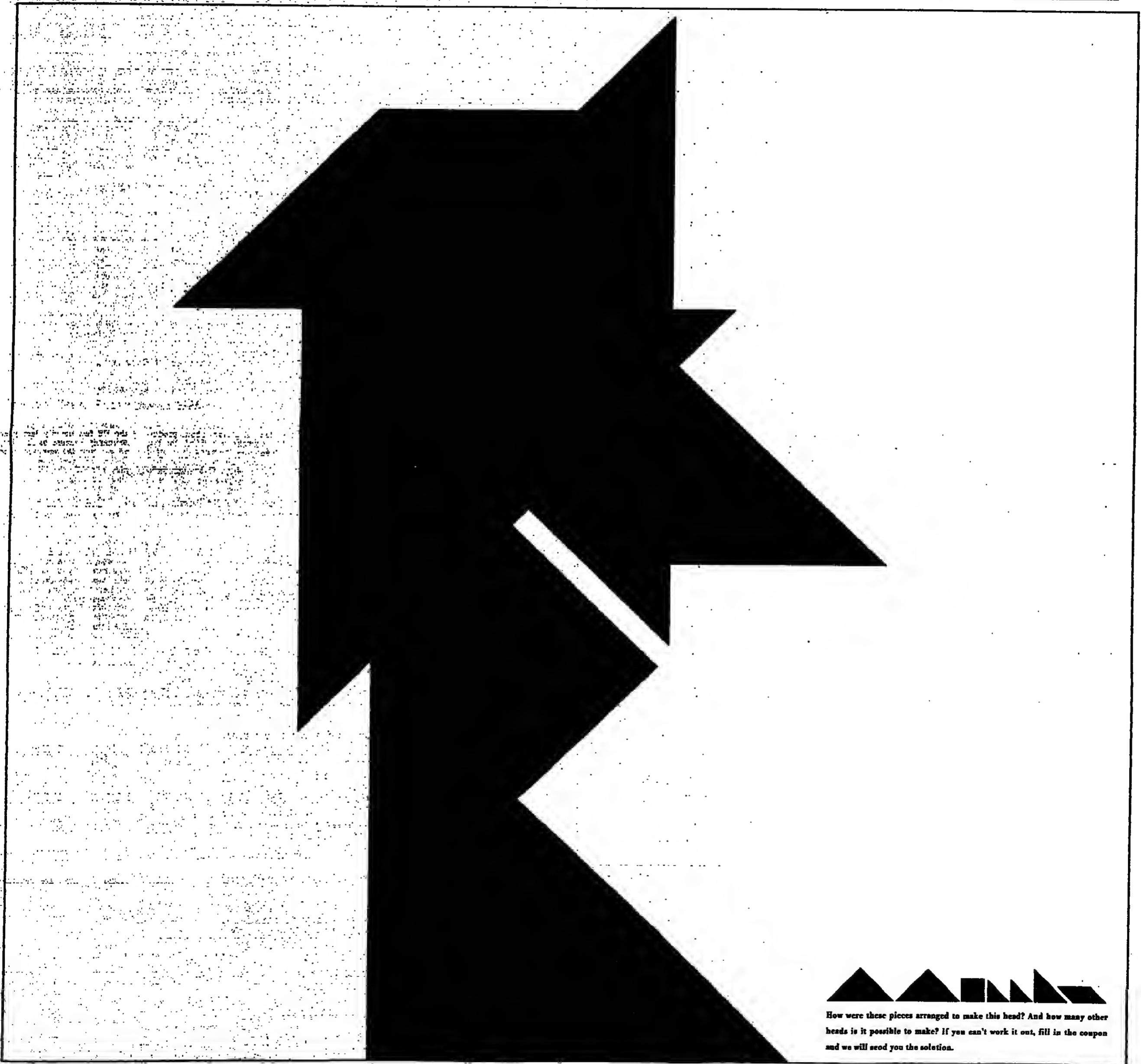
THE Sandinista Government's expulsion of eight US diplomats and its crackdown on opposition in Managua is an obvious threat to the Democratic Party as it prepares for its convention in Atlanta next week, writes Lionel Barber in Washington.

both humanitarian and military aid to the rebels. Mr Jim Wright, House Speaker, who will chair the convention, has long been involved in diplomatic overtures to the Sandinistas.

region's peace plan put forward by President Oscar Arias of Costa Rica. The Senate on Wednesday passed a non-binding resolution threatening renewed US military aid to the Contras but offering to extend US economic aid if the Sandinistas complied with the Arias plan.

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THE ENVIRONMENT

Germany's East and West clear the air over smog control

BY DAVID MARSH IN BONN

MR KLAUS Töpfer, the West German Environment Minister, has come back from East Germany this week with both good and bad news over international co-operation on protecting the environment.

The good news is that East and West Germany, in the wake of last September's landmark visit to Bonn by Mr Erich Honecker, the East German leader, are now at least talking to each other about clearing up ecological damage resulting across their fortified land border.

The bad news is that East Germany, constrained by limited foreign exchange reserves and a badly lagging industrial structure, has no great interest in forging ahead with costly measures to combat water and air pollution.

After three days of talks between Mr Töpfer and his East German opposite number, Mr Hans Reichelt, the two sides agreed to work towards setting up a warning system to indicate when smog was likely to form along the border and in Berlin as the result of weather and air pollution conditions.

Several working parties will be set up to look at bringing into power stations desulphurisation equipment and new forms of coal-burning technology. Water purification and treatment methods will also be examined on a joint basis.

East Germany gave Mr Töpfer details for the time of pollution measurements at the massive land refuse dump at Schönburg in Mecklenburg a few miles from the East-West border near Lübeck, which has caused great concern to West Germans in the vicinity.

But these moves do not go to the root of the problem caused - both for its neighbours in the Federal Republic and for its own citizens - by pollutants from East Germany's industry.

Heavy metal and salt concentrations from East German plants are blamed by West German for a large share of environmental damage in the Elbe and Werra rivers which flow from East to West.

But Mr Reichelt refused to take further steps to curb Elbe pollution until the two sides had resolved their differences over the East-West border along the river.

East Germany has a long-standing claim to shift the border between the two countries to the middle of the river from the right bank where it was set



Klaus Töpfer (above) and his opposite number Hans Reichelt

after the Second World War. Mr Reichelt has an important internal political reason for not pushing ahead too fast with environmental co-operation.

The East German public has already been sensitised to the importance of ecological issues after frequent contact with the West and with organisations such as the Protestant Church. East Berlin does not want the environmental movement to get out of hand for fear that it could catalyse more general complaints about life under a communist system.

But, according to West German observers, East Germany fears that a dramatic programme of improvement along the border with West Germany would underline the country's previous deficiencies in this area and so add to Green consciousness.

As Mr Töpfer found out this week, East Berlin is now keener on making the right signals to the West. But it will still take a long while for Communist Germany's approach on the environment to move out of bottom gear into a higher one.

Karen Fosli in Oslo looks at a unique attempt to link economic policies to the protection of resources United Nations sets the course for an 'ethical' future

FEW DOUBT that the relentless pace of modernisation and development the world over is presenting a growing threat to the global environment. Fears are expressed almost daily about a disappearing ozone layer, rivers choked with chemicals and toxic waste poisoning the atmosphere.

It is not just the environmentalist lobby that is worried. Government leaders, international agencies and banks are concerned too about the impact of a deteriorating global environment on future development and economic progress.

Last weekend, United Nations officials and the heads of the World Bank and the International Monetary Fund (IMF) met in Oslo in a unique gathering to address precisely this issue.

While little came out of the conference in the way of concrete proposals it is significant enough that those attending 'agreed to agree' on the way in which the problems could be tackled.

It went on to identify the following as priorities for UN action on development towards the year 2000 and beyond:

- to develop human resources and fully integrated population policies to protect the atmosphere and global climate, ocean and water resources;
- to halt desertification and to counter deforestation;
- to control dissemination of dangerous wastes and to aim towards eliminating such wastes to increase technology co-operation, and to control soil erosion;
- to secure economic growth, social justice and a more equitable distribution of income and resources within and among countries as a means to alleviate poverty.

The conference, hosted by Mrs Gro Harlem Brundtland, Norway's Prime Minister, agreed to seek an integrated approach to curb deterioration of the environment as a means of promoting world development. In addition, it agreed to set up a task force, as a matter of urgency, with UN Secretary-General Javier Pérez de Cuellar, at the helm.

Attended by 24 heads of the world organisation's specialised agencies, the conference, took up the main theme of a report by the World Commission on Environment and Development, headed by Mrs Brundtland. The report, in which the phrase "sustainable development" was coined, is described as a unique document in that it seeks to link economic development policies to restoration of the global environment.

Sustainable development describes economic policies geared towards preserving and increasing natural resources, rather than depleting them, while bridging the gap between rich and poor nations. Its promoters argue that this can be achieved only if governments take into account all the costs - future as well as present, social as well as economic - of exploiting resources too rapidly.

so their problems must be treated differently," he said. "We need a human touch, not just a theoretical touch."

Mr Barber Conable, president of the World Bank, and Mr Michael Cannoness, managing director of the IMF, both delegates of the Oslo conference, rejected the accusations. In a closed meeting, Mr Conable said that protecting the environment and alleviating poverty were overriding concerns of the World Bank while Mr Cannoness said he felt no need to justify the IMF's record of aid to Third World countries.

In addition, delegates noted that the failure of some countries to fulfil contributions payments to the UN system was impairing its ability to respond to environmental crisis. This was a veiled attack on the US, which sets the standard for other countries and has subscribed only its minimum UN payments.



Trees make way for development in the Amazonian jungle at Colajar, Brazil where rich reserves of iron ore are being mined

The conference was not wholly harmonious. Mr Pérez de Cuellar, seized the opportunity to renew criticism of the World Bank and the IMF.

He accused them of imposing unjustifiably harsh economic policies on developing countries which served mostly to promote human suffering and environmental damage.

"They are like doctors who have the same prescription for all ill. But each country is different,

and the ocean food chain. Depletion of the ozone layer also reportedly increases the skin cancer rate.

As a result of the concern, the US has in recent months been intensively lobbying the Chinese to sign the protocol.

There is also a strong commercial incentive to obtain China's signature on the protocol.

If a large number of developing countries don't sign the treaty, they might simply develop their own set of industries and trade among themselves, one western diplomat said. With more countries not participating, the tendency to flout the protocol would be greater.

"China is in so many ways a 'bulwark' (leader) country for the 'Third World,'" one observer said. "It can exert a certain influence on Third World countries. If a big country like China signs, it will be tougher for the small

ones to ignore."

However, there are sharp differences of opinion within the Chinese Government about whether to sign the protocol. Nepe is in favour of the treaty.

The Public Security Ministry is also concerned about how it will be affected if China does not sign the treaty.

But various industrial organisations, particularly the Chemical Industry Ministry, have opposed the protocol, saying it should not be signed unless it is slightly revised.

They argue developing countries should be given more time to reach the maximum cfc per capita consumption of 300 grams.

In addition to these objections, the Chinese are also sceptical about the willingness of companies in the industrialised countries to transfer technology to manufacture substitute products if China signs.

Thus, with a great deal at stake, it is still not clear whether China will sign the protocol by the deadline.

China's ozone debate puts holes in Montreal Protocol

AS THE final deadline approaches, a sharply divided Chinese Government is still debating whether to sign the 1987 Montreal Protocol limiting the production and emission of substances which deplete the ozone layer.

Despite concerted lobbying by the United States, the Chinese National Environmental Protection Agency (Nepa) said serious reservations still exist in some government departments over the merits of signing the protocol.

The feeling among some of my colleagues in other ministries is that the policy does not treat developing countries equally with developed countries," said Wang Zhi Jia, deputy chief of the foreign affairs division of Nepa. "It will take some hard work to convince my colleagues to remove the obstacles."

The treaty is an attempt to limit the production of the chemicals chlorofluorocarbons (cfc) and the emission of halons.

These substances, which are found primarily in refrigerators, electronic

Lynne Curry in Peking examines the controversy over an international treaty to limit chemical substances which are damaging the world's atmosphere

products, plastic packaging materials, and fire extinguishers, have been identified as a major factor in the erosion of the earth's ozone layer.

Under the terms of the treaty, each developing country will be allowed a maximum cfc consumption of 300 grams per capita per year until 1989. Then, cfc consumption must be frozen at the level reached in that year even if it is well below the maximum 300 gram limit.

Those countries which do not sign by September 16 this year will no longer be able to import certain cfc and halons from signatory countries.

In addition, they will not be able to import technology or obtain financial aid to produce such chemicals. Nor will they be able to export products containing cfc to signatory countries. However, the treaty stipulates devel-

oping countries which do sign the protocol will be given technical assistance to develop alternative and substitute technologies for cfc products. Signatory developing countries will also be given a 10-year grace period before they must implement the protocol.

Meanwhile, industrialised countries are permitted to have a per capita cfc consumption of 500 grams per year until 1986, when cfc usage must begin to be reduced so by 1989 consumption is half that amount per person.

The creation of this treaty was the result of growing concern by scientists that a hole in the ozone layer was developing over the Antarctic continent and that this might appear at other points over the globe.

A reduction in the ozone layer is believed to have a marked adverse impact on crop production, the climate,

and the ocean food chain. Depletion of the ozone layer also reportedly increases the skin cancer rate.

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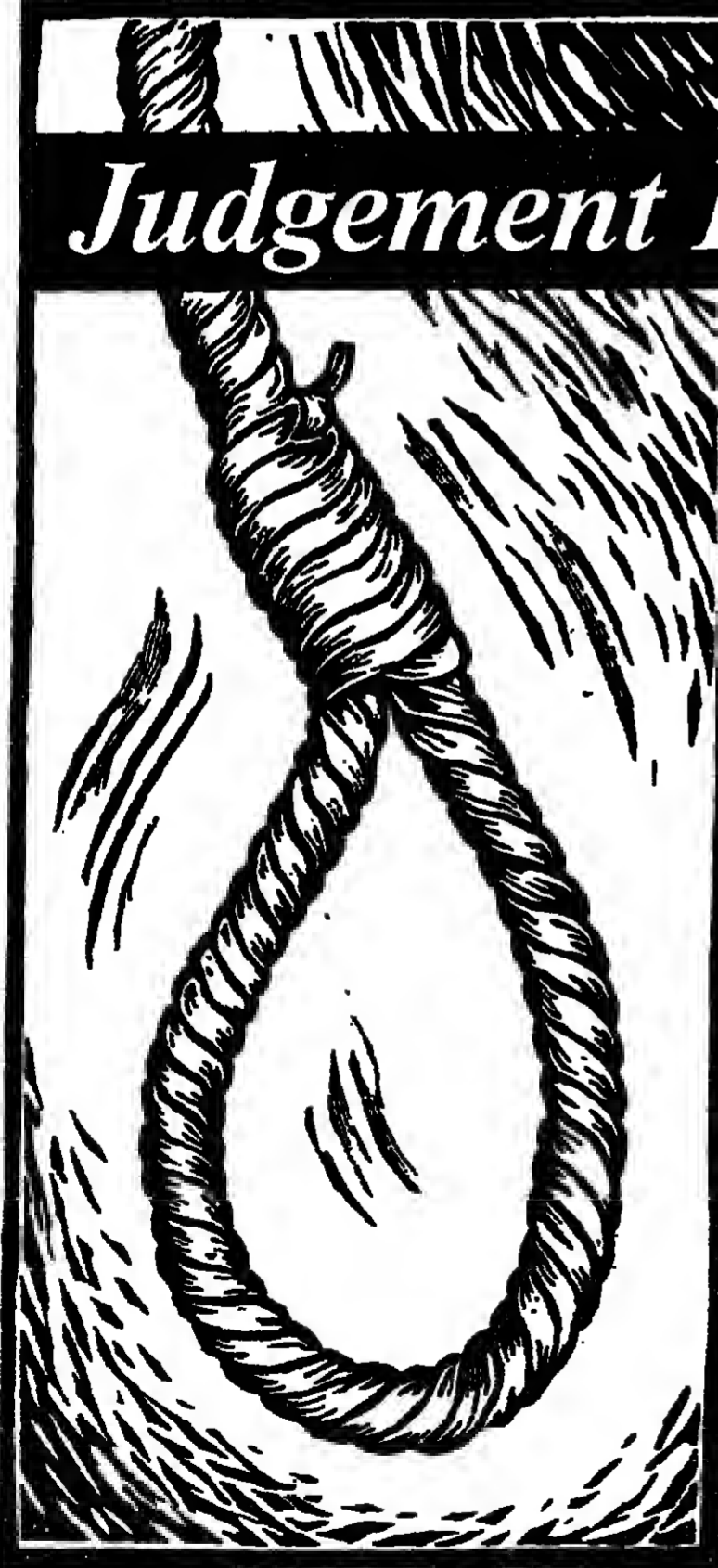
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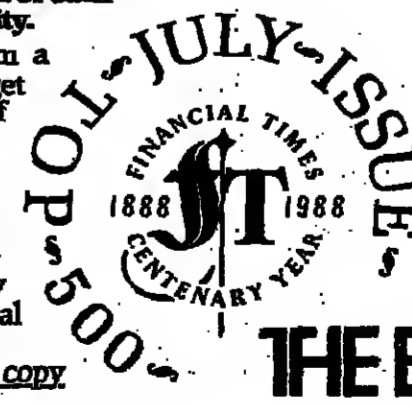
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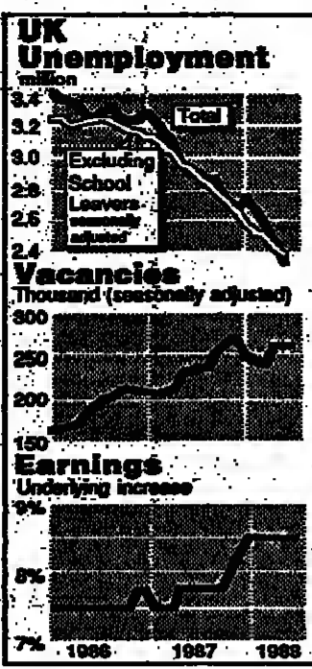
J.P. Viciolo SA

Growth surge cuts jobless total, raises inflation fears

BY PHILIP STEPHENS AND RALPH ATKINS

BRITAIN'S exceptional economic growth rate was highlighted yesterday by a string of official statistics showing a somewhat surge in manufacturing output, strong productivity gains and another sharp fall in the official jobless total.

The figures were greeted by the Government as further evidence of the success of its economic strategy, but they intensified speculation in Whitehall that Mr Nigel Lawson, the Chancellor of the Exchequer, may soon move again to raise interest rates to cool rampant consumer spending and borrowing.



Output per head in manufacturing in the three months to May was 6.6 per cent higher than in the same period a year earlier, while unit labour costs rose by 2.4 per cent.

Fears in financial markets about the inflation outlook was also mitigated by a downward revision in the pace of earnings growth in the economy from the previously thought 8% per cent to 8% per cent.

The May rise was less than expected by most City analysts and will ease slightly fears about excessive wages growth in the economy. However, there is little evidence that the rate is moderating.

The latest figures show average earnings growth has remained constant for six consecutive months. Mr Norman Fowler, Employment Secretary, described the latest figures as "stagnantly high".

Cuts in car capacity planned by Rover

By Kevin Done, Motor Industry Correspondent

THE EUROPEAN Commission's investigation of the British Aerospace/Rover Group takeover has shed the first light on Rover Group's hitherto secret five-year corporate plan.

It reveals proposals for further cuts in capacity of a far more radical nature than anything previously admitted by the company, and adds to earlier suggestions that at least part of the present Cowley plant will be closed.

According to details of Rover Group's corporate plan 1988-92 provided to the Commission by the UK Government, a considerable reduction is planned in assembly and component capacities for Austin Rover in order to increase productivity and capacity utilisation.

SECOND TERMINAL AND NEW TRACK PROPOSED

BR unveils plan for high-speed link

BY ANDREW TAYLOR

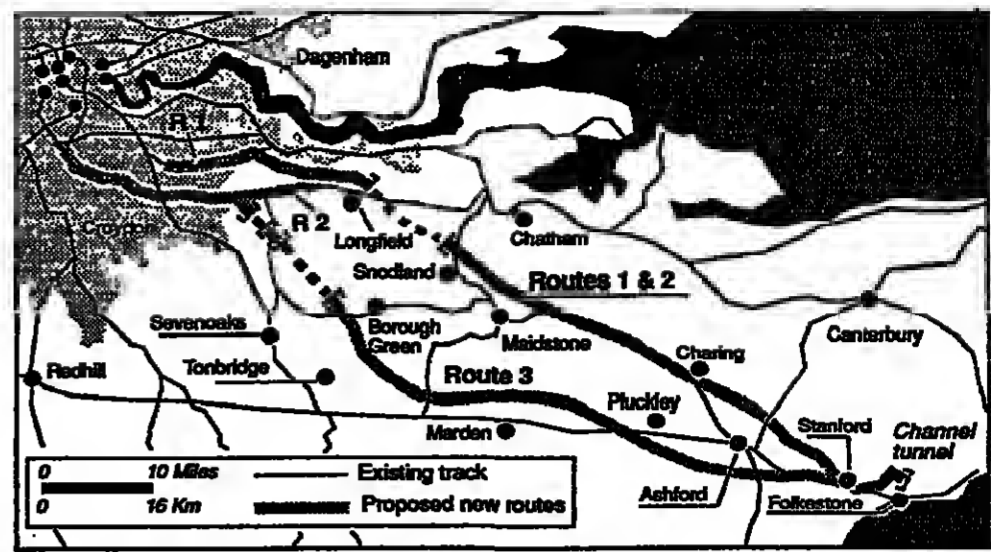
BRITISH Rail yesterday announced a series of proposals for a high-speed rail link to be built between London and the Channel tunnel on the Kent coast.

It said new track would be needed to meet increased international passenger entry into the next century. The state-owned rail group said a second international rail terminal would also be required for passengers travelling from London to continental Europe.

The terminal would be in addition to the international terminal which British Rail has already proposed at Waterloo station in central London south of the River Thames. Candidates for a second Channel Tunnel terminal include Kings Cross station in north London, Stratford station in east London and White City in west London.

A terminal north of the river would give greater access to the tunnel for those living in northern England and the Midlands.

Mr Paul Channon, the Transport Secretary, said private companies had expressed interest in investing in a high speed track between London and the Channel Tunnel and this should not be ruled out.



depending upon which options were chosen. The proposals call for new routes to be built through parts of the Kent countryside and for additional track to be laid along existing lines.

Mr Alastair Morton, joint chairman of Eurotunnel, the Anglo-French group which is building the Channel Tunnel, yesterday welcomed British Rail's proposals.

Mr Robert Hughes, the Labour Party's spokesman on transport, yesterday accused British Rail of being apathetic, too timid in its approach and failing to live up to the challenge of the tunnel.

route is already heavily used and allows an average speed of only 60 mph. This compares with average speeds of 145mph which it is expected trains will be capable of on a high speed track running across northern France.

The Council for the Protection of Rural England said that some of British Rail's proposals would be extremely damaging to the environment.

reary for another two years. It would be at least eight to 10 years before a high speed line would be fully operational.

Most of CSTC's clients are believed to have invested in futures syndicates in the US. Unlike other futures firms whose business practices have come under scrutiny, CSTC is believed not to have engaged in high-pressure sales techniques or to have charged excessive commissions.

Of the other firms against which SIB has acted, DPR Futures, whose business was frozen rather than being put into liquidation, is believed to have had several hundred clients. The high turnover of clients in the firm means that this is no indication of all those who may have lost money in it, though.

Stox, the first futures firm to be closed by the SIB, is believed to have had investments of between £500,000 and £600,000.

Court orders winding up of London futures firm

By Richard Waters

THE SECURITIES and Investments Board yesterday obtained a court order to close CSTC, a City of London futures firm which may have as many as 2,000 clients.

The £4m invested through the firm makes it by far the biggest of the three futures firms against which the SIB has taken action over the past month.

The SIB petitioned the High Court that the firm was insolvent and that it was "just and reasonable" that it be wound up. It was unable to say yesterday whether there would be a shortfall in investors' funds.

The official receiver, Mr Michael Pugh, has been appointed provisional liquidator of the company. He in turn has appointed Mr Christopher Morris, a Touche Ross partner and the former liquidator of Laker Airways, as a special manager.

Touche Ross moved in to the firm's offices in Hatton Wall, in the heart of London's Hatton Garden jewellery district, yesterday afternoon to take over the running of the business.

Clowes fund advertised in Britain

By Richard Waters

THE CLAIM of Barlow Clowes investors against the Department of Trade and Industry was strengthened yesterday when it emerged that the group's offshore fund in Gibraltar advertised for clients in the Times newspaper in London.

This is likely to strengthen grounds for claims that the Gibraltar fund, Barlow Clowes International, carried on business in the UK. Under the Prevention of Fraud (Investments) Act, it would then have required a licence from the DTI.

BCI is believed to have advertised only once in the Times, in a survey on Gibraltar which appeared on 26 March 1987. The advertisement explained that Barlow Clowes had established its international head office in Gibraltar, and invited applications to BCI.

A spokesman for the DTI said yesterday: "I'm not going to comment at all on whether it would have brought them within the scope of the Act. It is the kind of thing that Sir Godfrey le Queux (who is conducting an internal enquiry of the DTI's handling of Barlow Clowes) should be interested in."

Later in the day the DTI confirmed that it had passed a copy of the advertisement to Sir Godfrey.

The relevance of the advertisement to establishing whether BCI carried on business in the UK would be a question for a court to decide, said the DTI spokesman. "A small advertisement tucked away in a corner of a technical journal might not be considered serious. But a full page advertisement in The Sun might be."

Mr Richard Felton, former sales manager with BCI in Gibraltar, said yesterday: "We weren't allowed to advertise in the UK and we never did, except once in the Times, and that was done without our (Gibraltar) approval." Approval for the advert had been given by Mr Peter Clowes, he said.

The only other BCI advertisement that appeared in the UK was through magazines targeted at expatriate investors which had limited UK circulation.

The Times said yesterday that it was "very careful about investment advertisements." Ms Jackie Griffiths-Jones, advertisement manager at the time the BCI item was placed, said: "Whenever there is concern, we always refer cases to the business news editor or our lawyers."

Toronto group to invest £50m in UK cinemas

By Raymond Snoddy

CINEPLEX Odeon, the Toronto-based company which is one of North America's largest cinema groups, yesterday announced plans to invest £50m in the UK to create 110 screens at 20 sites over the next four years.

Mr Garth Drabinsky, chairman, said the company's first new London cinema complex would be a four-screen 1,900 seat cinema in the Trocadero Centre off London's Piccadilly Circus.

A 2,100-seat cinema complex is already being constructed at the Brighton Marina Development and plans are well advanced for multi-screen cinemas at Harlow and Glasgow.

Mr Drabinsky, a 40-year-old lawyer who set up Cineplex Odeon in 1979 after having produced plays and films, said: "We don't believe in doing things in a half-hearted way."

Mr Drabinsky believes it is possible to more than double the annual total of cinema visits in the UK, now about 70m.

Table titled 'SPONSORED SECURITIES' with columns for High/Low, Company, Price, Change, Div (p), Yield, and % P/E. Lists various companies like Anglo, BHP, and others.

Thatcher may reappoint former adviser

By Our Economics Correspondent

SIR ALAN WALTERS, personal economic adviser to Mrs Margaret Thatcher, Prime Minister, is considering returning to 10 Downing Street in a similar role.

Speaking yesterday from his office at the World Bank in Washington, Sir Alan said that he had had informal discussions about his possible return. Sir Alan said that no formal invitation had as yet been extended by Mrs Thatcher and that he had not made a firm decision to leave the US, but added: "We're still good friends."

Sir Alan was one of Mrs Thatcher's most influential advisers during his tenure at No 10. Whitehall insiders say that she has continued to consult him on a whole range of issues, including during her dispute with Mr Nigel Lawson, the Chancellor of the Exchequer, over exchange rates.

Parkinson sets terms for inquiry into Piper Alpha

BY MAURICE SAMUELSON

THE PUBLIC inquiry into the disaster on the Piper Alpha oil platform should be as full and far-reaching as possible, Mr Cecil Parkinson, Energy Secretary, said yesterday.

Mr Parkinson was announcing the terms of the Aberdeen inquiry into the North Sea disaster which killed 166 oil workers. The chairman, Scottish Judge Lord Cullen, would report on the circumstances and cause of the accident and make any observations and recommendations he wished to make to save lives and avoid similar accidents.

Mr Parkinson released the inquiry details before a meeting next week with leaders of eight oil unions critical of North Sea safety standards.

Parkinson sets terms for inquiry into Piper Alpha

BY MAURICE SAMUELSON

Their leaders are said to be angry at not seeing the full confidential report of a 1984 explosion on the Piper Alpha platform, even though the document will be available to Lord Cullen.

Mr Roger Lyons, deputy general secretary of the Manufacturing, Science and Finance Union, yesterday said safety standards on British oil rigs were also deployed by Norwegian oil workers.

He said Mr Lars Myrbe, president of the Norwegian oil unions and a former Norwegian inspector on oil rigs, would tell a conference in London next Monday that Britain was "in the dark ages as far as North Sea safety is concerned."

Advertisement for MONTEDISON, including a table of securities, dividend payment information for 1987, and contact details for various international branches.

Advertisement for The Adelphi, London WC2, featuring an illustration of the building and details about its manufacturing floors, including square footage, views, and parking.

UK NEWS

Cabinet approves limited public spending growth

BY PETER RIDDELL, POLITICAL EDITOR

THE cabinet yesterday agreed guidelines for the forthcoming discussion of public spending plans for the next three years aimed at ensuring continued overall restraint and some limited growth in Whitehall departments' budgets.



Parkinson: set to chair Star Chamber to October

Faced with bids for an additional \$20m to \$25m above existing plans, the cabinet confirmed the existing strategy of aiming for a reduction in the share of public spending in national income. In the past two years this has permitted some upward adjustment of the overall planning total since leeway has been created by faster than forecast growth of national income.

Moscow will host world forum to shape safer nuclear energy

BY DAVID FISHLICK, SCIENCE EDITOR

TOP EXECUTIVES of the world's electricity companies operating nuclear reactors will meet in Moscow next spring to inaugurate an international forum for exchanging experiences of nuclear mishaps and accidents.

Holiday charges may rise to cover cost of air delays

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

THE cost of coping with flight delays caused by this summer's European air traffic control disputes could add to the charges on package holidays, UK airlines believe.

For some passengers this week, this entailed talking them long distances to the Midlands from Gatwick, south of London, by bus and even sometimes by air, and by putting crews whose flight-times had expired into hotels overnight.

Revenue examines tax status of mobile telephones

By Richard Clarke

THE TEMPTATION to use a mobile telephone to ring home from the traffic jam and ask what's for dinner should be treated with caution in future.

Bae, Rockwell in USAF bid

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace has teamed up with Rockwell Corporation of the US to bid for a training aircraft order for the US Air Force which could be worth more than \$1.5bn.

This can be coped with, although it becomes more serious when aggravated by bad weather over western Europe, as happened in the first few days of July when some airports either closed or cut traffic flows for several hours.

Charter airlines have used problems in some cases by sub-chartering bigger aircraft in one case a Boeing 747 to put smaller aircraft loads together and so cut the number of take-off alternations required. But such aircraft are expensive and difficult to find during peak seasons.

It is estimated that more than 1m mobile phones will be in use by the middle of next year and so they could be a lucrative source of income to the Revenue.

Vying for a little slice of Mrs Thatcher's Britain

WHICHEVER of the 15 candidates for the Kensington by-election is declared the winner early today, all would likely agree that the London constituency over which they have fought this past month is a little slice of Mrs Margaret Thatcher's Britain writes GASTON HODGSON.

For Labour, Mrs Ann Holmes has drawn on her experience as a local housing consultant to put the constituency in the front line of the class war, where the distinction between the winners and losers in Mrs Thatcher's society could not be more evident.

Local concerns have focused the campaign on the key issues of poverty, housing, the poll tax, health, education and crime.

Labour, meanwhile, maintains its confidence. Mrs Holmes's supporters claim solid support in the northern half of the constituency and detect a softness around the edges of the Conservative vote to the south.

Companies uncertain whether to add car phone costs to their tax return firms showing employees' benefits are being advised to list them and wait and see. "If in any doubt at all, employees should put the cost down so that we can decide whether it is chargeable," said the spokeswoman.

Advertisement for 'Resident Abroad' magazine. Title: 'How to Live, Work and Invest abroad'. Subtitle: 'The complete monthly guide'. Text: 'The rewards of life overseas are big - a better job, more money, lower taxes, a higher standard of living and a lot more. You can easily double your income - or do even better - with the right advice. Probably the very best advice for expatriates is in Resident Abroad. Every month you can look forward to news and comment, entertainment and hard information. Ways to make money, ways to save money and a host of ideas on how to spend it.'

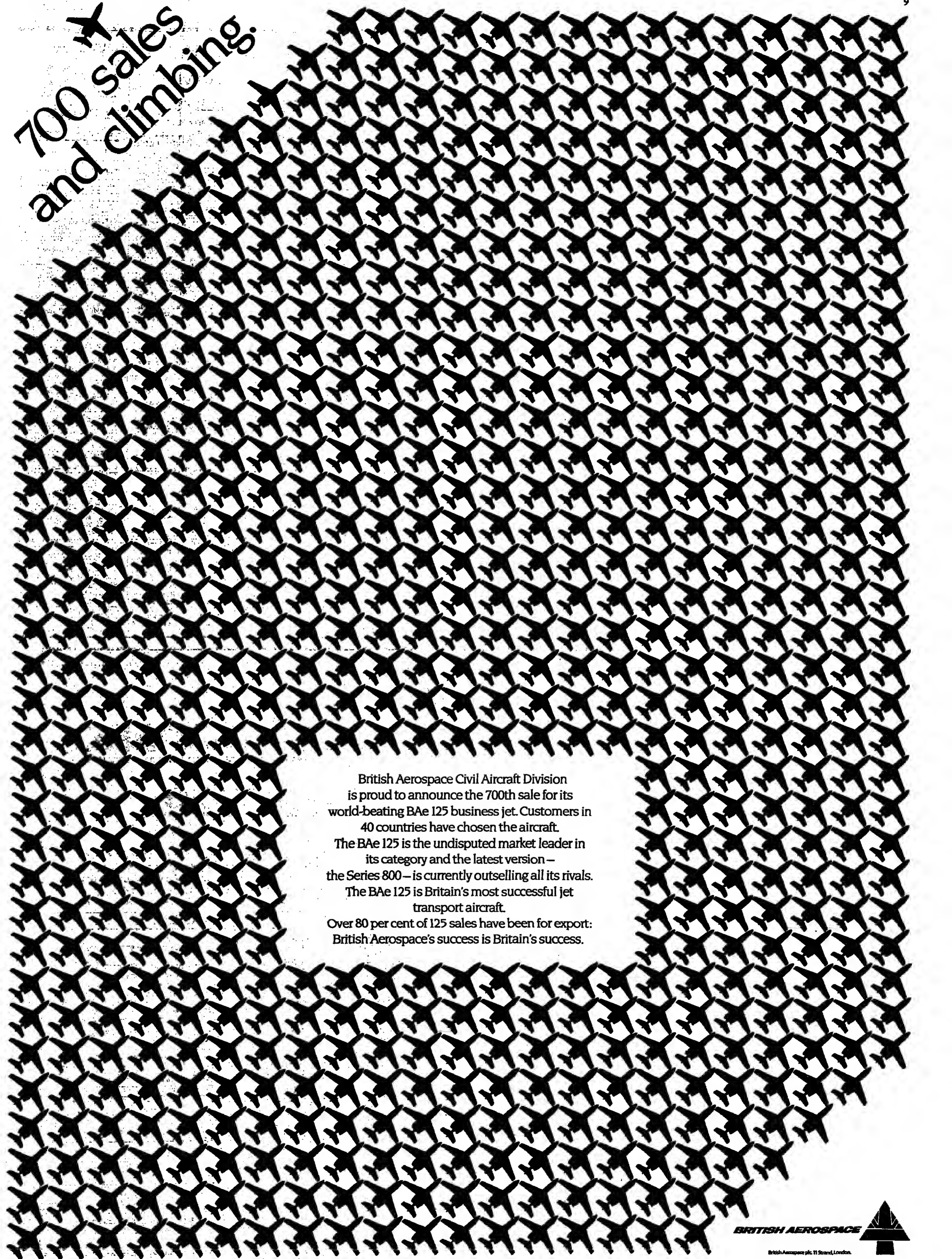
Handwritten signature or mark at the bottom of the page.



Revenue  
examines  
tax status  
of mobile  
telephones  
Richard Owen

pl

# 700 sales and climbing.



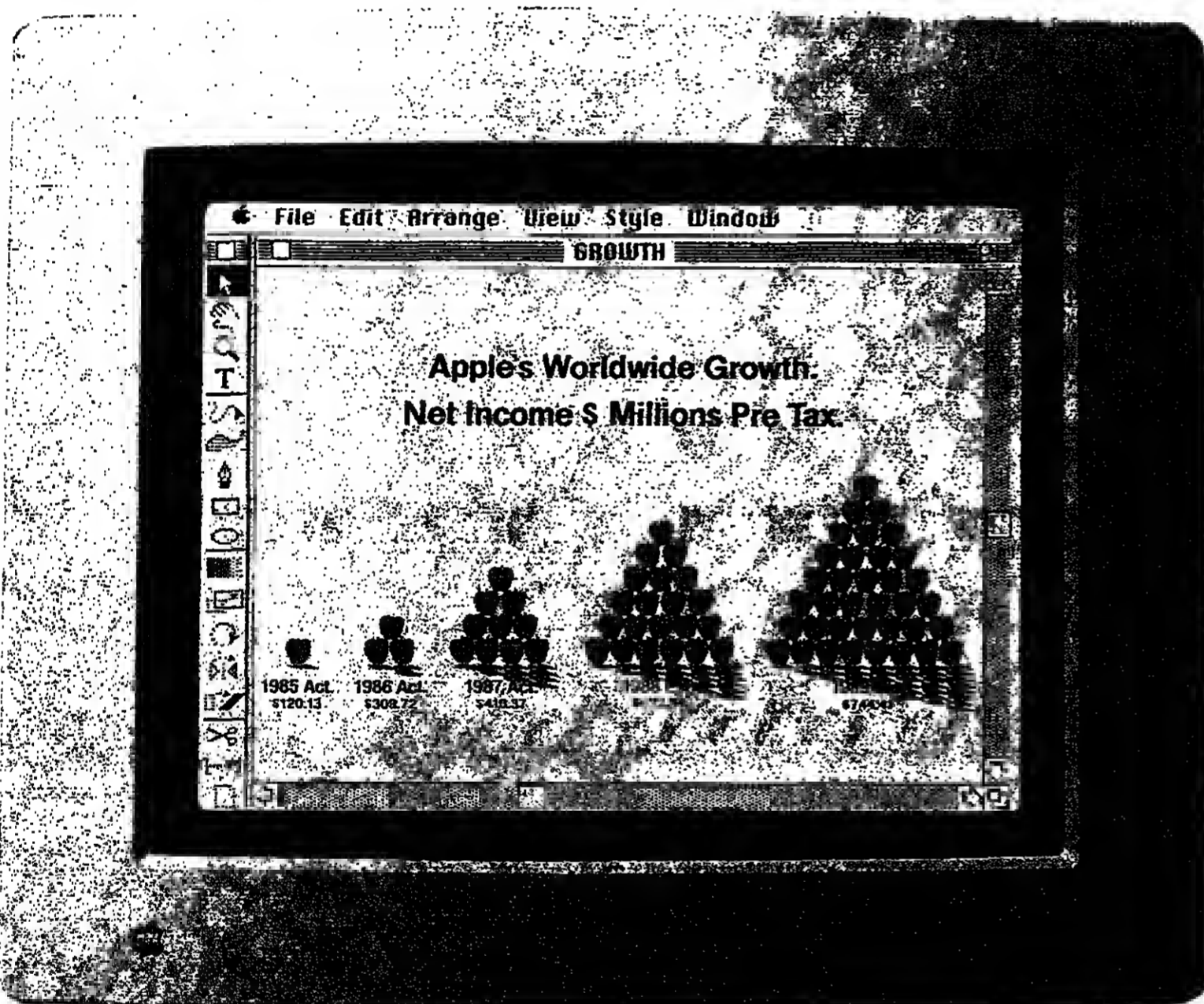
British Aerospace Civil Aircraft Division  
is proud to announce the 700th sale for its  
world-beating BAe 125 business jet. Customers in  
40 countries have chosen the aircraft.  
The BAe 125 is the undisputed market leader in  
its category and the latest version –  
the Series 800 – is currently outselling all its rivals.  
The BAe 125 is Britain's most successful jet  
transport aircraft.  
Over 80 per cent of 125 sales have been for export:  
British Aerospace's success is Britain's success.



# Yet another bumper crop.

In just eleven short years Apple Computer has grown to become one of the largest and financially strongest companies in

the world. Our turnover for 1987 was £1.44 billion.



We're also ranked 51 in the Fortune 500 list in terms of market capitalisation.

To put that into a British context,\* we'd be larger than Glaxo Holdings, RHM and W.H. Smith & Son (Holdings) in terms of sales. And we'd be the 29th most profitable company on a pre-tax basis, ahead of Sears, Courtaulds and Rothmans International.

A remarkable achievement in anybody's books.

Back in 1977, when we started, our sales totalled £418,400. Any doubting Thomas's over the following years

have had to eat their words. Even more so this year. Our latest results show our profits soaring in our second quarter by 135% with sales up 51% to £468.8 million.

An analyst was sufficiently moved to remark to the 'Wall Street Journal' that our performance was "sensational... the Macintosh™ just keeps gaining momentum."

While the 'Financial Times' was impressed enough to comment "Apple"... has begun to reap the rewards of its efforts to crack open the business personal computer market."

The 'Infomatics Daily Bulletin' said "Apple Computer continued its seemingly inexorable rise towards the top of the IT industry pecking order."


Another leading analyst predicted "Apple could sustain 25% growth for many years."

Please excuse us for blushing.

To cope with all this present and future growth, we've established a major new European headquarters in Paris. We're also implementing dramatic expansion plans in the UK.

All perfectly natural behaviour for the largest dedicated manufacturer of personal computers in the world.

Another fact we're understandably proud to announce.

 Apple. The power to succeed.

TECHNOLOGY

Alan Cane on a big advance in image processing which could end the flood of paper in the insurance business

A breakthrough for the brokers

THE INSURANCE industry is drowning in paper as insurers and their intermediaries struggle to keep on top of the mounting tide of quotations, proposal forms, cover notes and so on.

It is a natural candidate, therefore, for electronic data interchange (EDI), a jargon phrase for the dispatch of standard messages (electronic documents) between computers over telecommunications lines.

Mainframe manufacturer ICL and the US-based General Electric Information Services (Gelsco), for example, last year set up a joint venture called International Network Services (INS) which runs the BrokerNet motor insurance system.

Intel Financial Services and Missys Dettler, a software software house specialising in insurance systems last week announced a joint marketing venture to provide EDI between intermediaries and insurance companies, also in the motor insurance area.

But it is IBM, the world's largest computer manufacturer that will, in the first instance, provide the network for a development in insurance EDI which experts believe is unique and could lead to a revolution in the way intermediaries deal with insurance companies.

Earlier this week, it became known that a consortium of leading UK insurance companies had funded and were preparing to market a computer system which will do away with most of the paper which is the bane of insurance people's lives.

Designed in the US but developed in association with a UK software house, Fame Computers of Birmingham, the system would seem to have the potential to save costs in any business which uses documentation extensively.

Called "Formlink", it is to all intents and purposes a conventional EDI system. Taking as an example a proposal for life insurance, the intermediary calls up a standard form onto a personal computer screen, fills in the client's details and despatches the completed form to the insurance company with a press of the button.

But there is an important difference. The form the intermediary calls up is an exact video replica of the insurance company's paper documentation. It has been created using an image scanner. The client's details are keyed into the video document using the computer keyboard.

This mix of image processing and data processing represents a significant technical breakthrough for the system's designers, Access Development of Boston in the US (see accompanying box). Mr Douglas Shillito of The Shillito Consultancy, a recognised authority on insurance systems believes Formlink is an exciting development: "It provides a simple input system for brokers and it is a new approach to the resubmission problem. It looks a very attractive proposition."

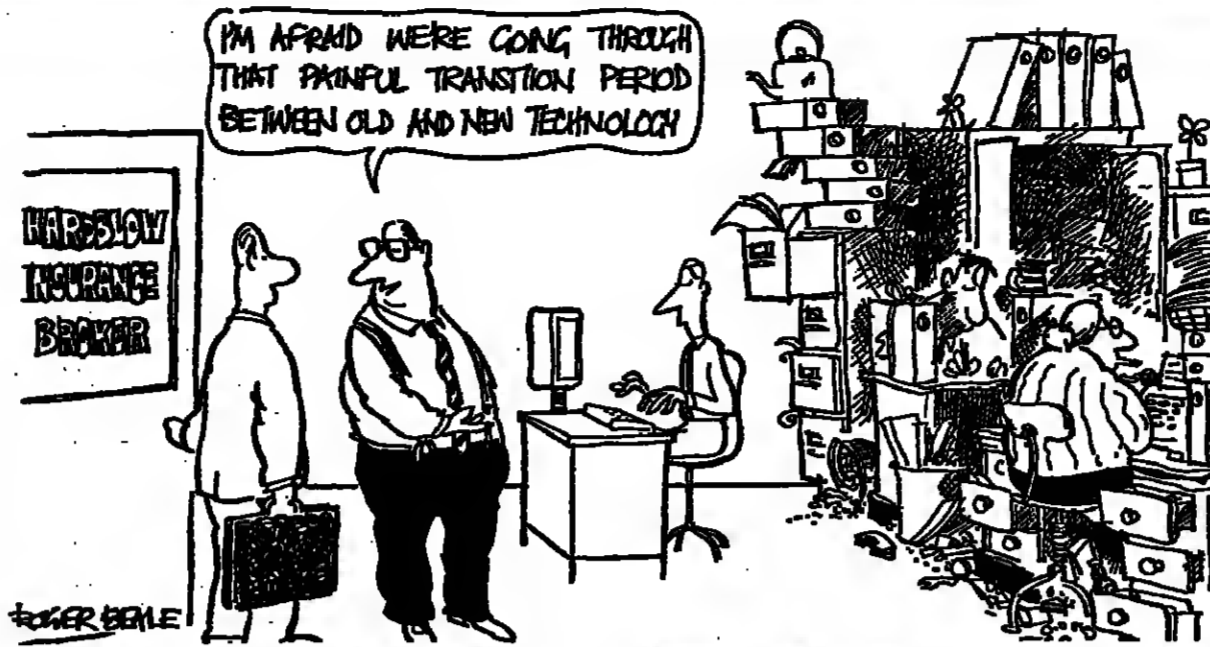
By reformulating, Mr Shillito means the extensive and inevitable re-keying as paper forms are copied from one computer system to another, a labour intensive and error prone business. The savings which should flow from the development of a system in which vital data is keyed into it only once are sufficiently attractive to have persuaded three leading UK insurers, Commercial Union, Legal & General and Royal Insurance UK, to have invested almost £1m over the past two years to bring Formlink to market. General Accident, Guardian Royal Exchanges and Norwich Union have joined the consortium to assist in marketing the system to

TO MAKE a video image of a document jump through the hoops that Formlink demands is in itself a formidable technical feat. To make it happen on a conventional IBM PC/AT personal computer and office printer is close to the impossible.

What Access Development has achieved, using a battery of ingenious programming methods, is to create "intelligent images" of each insurer's documentation.

The first step in setting up a new document image, explains Paul Mycock, senior technology consultant at Fame Computers, is to put the document through an image scanner, a standard piece of equipment which stores the image of the document in computer language as a stream of bits - 0s and 1s. It takes 11.2m bits conventionally to store the image of a single document.

Formlink technology, however, compresses the data by a factor of between 8:1 to 20:1 so the entire image is stored in, say, 1.1m bits. This is necessary for two reasons. It helps with economical use of disk storage on the personal computer, but more important it allows the document to be displayed on the screen without undue delays. When



Britain's 30,000 or so intermediaries. According to Mr Fred Pritchard, managing director of Fame Computers: "They are co-operating with each other to an extent I have never seen before."

Formlink is the brainchild of a US insurance technology specialist, Mr John Jancic, who had worked on the principal US insurance network IVANS, now some seven years old. IVANS uses standard message formats through which intermediaries can communicate with their insurance companies. It has not, insurance experts agree, been an outstanding success.

The reason, according to Mr Pritchard is that it gave the intermediaries a great deal more work to do while

the development team began work it took 1.5 minutes to fill the screen with the video image of the document. Now it takes a few seconds.

Access and Fame are coy about the exact methods they use to achieve this remarkable speed of compression and decompression, believing they have up to two years lead on the competition. Suffice to say that the system "knows" the stream of bits is part of an image with length and breadth and is therefore able to compress the data to two dimensions rather than one. The next, and critical, step is to mix image processing and data processing. The system developer blanks out areas of the form which have to be filled in with a client's name, address and so on by describing them to the system in terms of their co-ordinates. These are relative co-ordinates. No matter how the document is handled by the system, it remembers where the blank spaces are located.

After the details have been entered through the keyboard, it remembers where the alphanumeric characters must be placed and distinguishes between data bits that describe the video image and data bits that describe the alphanumeric characters. The calculations needed to sustain this feat of memory a horrendously complicated.

Mycock says that system benefits significantly from the fact that it is using Microsoft's "Windows" software, a technique for handling separate operations in separate areas of the screen. Information can be pulled into the document for a variety of sources - quotations systems, client databases and so on.

The insurance broker, of course, sees nothing of all this complexity. The document appears in a flash on the screen and can be filled in just like the paper version.

Mr Jancic's reasoning that if insurers were unwilling to use standard message formats, the answer was to give them electronic replicas of their paper documentation.

Conventional data processing techniques were ruled out. It could take weeks to write the program to create the screen image of a single form and even then it would not be perfect. So scanning had to be used to create a

video image. The pioneering insurers risked their money in the belief that Mr Jancic and his team could crack the problem of combining image processing and data processing at a cost the industry could afford both in time and money.

The result is now ready for initial trials by intermediaries with Boswells of Norwich and Sevenoaks Financial Services taking the role of guinea pigs. Within two months some 50 intermediaries should be putting Formlink through its paces and the commercial version should be ready towards the end of the year. It will be marketed to intermediaries at a cost of between £45 and £70 a month.

An electronic library of insurers' documentation is being created. Stored on magnetic disk, it will replace the 50 or so different sets of paper documentation which each intermediary has to have on file at present.

Mr Andrew Wellings, marketing manager for the Commercial Union's general business division and spokesman for the Formlink consortium, argues that establishing a common electronic network is crucial for the insurance business. Costs can be cut and individual insurers compete through the quality of service they are prepared to offer their intermediaries once a level playing field has been established.

His views are given substance by a major survey carried out by Fame Computers in conjunction with Business Insights.

It showed clearly that brokers want standard forms for obtaining quotations and for processing policies, claims applications and proposals. "Assist in addressing this unmet need," the authors of the survey advised insurers, "and your intermediaries will credit you to a statistically significant degree."

A Study of Independent Brokers and Intermediaries, Business Insights Incorporated, 1987.

STARS guide to beyond 1992

Hazel Duffy on a new database for companies

THE SINGLE European market may present an admirable trading opportunity for British business.

But 1992 - although all about removing barriers - will bring with it new, harmonised regulations which companies will need to be aware of, at the same time as keeping up with changes in domestic regulations.

The European Policies Research Centre at Strathclyde University has developed a database, STARS, designed to help companies through the maze.

The Centre is already well known for its monitoring of Government support for business, and the incentives offered by European governments and institutions to business in their regions.

The new database has three main constituents. It concentrates initially on providing information on UK regulations which affect the day-to-day running of a company, and the regulations that must be complied with for setting up a company.

Current coverage extends to 150 regulations. It includes information on regulations on how to register a new trademark, company incorporation, articles of association, annual returns, duties of directors, employment contracts, and the latest employers' requirements in relation to national insurance.

When a company has to make staff redundant, information can be obtained on the consultation procedures and redundancy payments.

Second, the database guides companies to 300 sources of advisory, financial and other services, from government and other organisations.

Government support services in areas like exporting, marketing and finance are an increasingly important part of policy - the difficulty for busy companies is knowing where to get the advice.

The problem is the difficulty keeping up with developments as new services are added and old ones changed. Once the information is received, the explanatory material may not be very clear. For businesses that do not have specialist departments - and even for

those that do - it can be very frustrating to piece together what is available and from where. More than one government department is usually involved as well as various agencies.

Professor Kevin Allen, director of the Centre at Strathclyde, believes that the value of STARS is that it provides an overview of regulations and services in related areas of interest. Names, addresses, and telephone numbers are listed where more detailed information can be obtained.

Examples of entries include area development organisations, sources of loan and equity finance, industrial training boards, research and innovation centres, science parks, industrial trade associations, sources of marketing advice, and services related to particular sectors such as engineering, textiles, tourism, catering.

Third, the database provides a newsletter which reports on recent and forthcoming changes. Entries range from modifications in existing regulations to the introduction of new legislation. For instance, information on regulations will be updated constantly as Brussels tackles the complex area of harmonising company law.

The system is divided and sub-divided into sectors, providing easy access to the myriad of regulations in areas like health and safety, consumer law, planning and environmental controls, which form the framework in which business must operate.

The experience of the Centre's earlier databases suggests that STARS will be invaluable to intermediaries in the business world as well as individual companies - chambers of commerce, lawyers, consultants, employers' associations, enterprise agencies, banks, local authorities all need to be in touch with this sort of information to offer a full service, but they are unlikely to want to devote resources to doing the job in house.

More information on STARS is available from the European Policies Research Centre, Livingstone Tower, 26 Richmond Street, Glasgow G1 1XL (Tel 041-5524400).



Renault G&R range tractors, six models available. Renault Truck Industries Limited, Boscombe Road, Dunstable, Beds. LU5 4LX. Telephone: 0582 471122.

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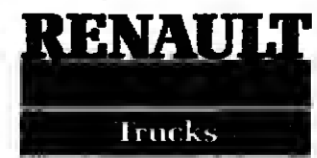
With the most powerful and indeed the largest trucks in our UK range, come some very persuasive finance terms.

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Contact your local dealer now for more details on how our biggest trucks can make your operation larger.



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THE PROPERTY MARKET

# The boat comes in for Manchester

By Paul Cheeswright

THE MANCHESTER Ship Canal Company created commercial opportunities for others a century ago by giving Manchester an outlet to the sea. Now it is trying to create opportunities for itself with the land it has on either side of the Canal.

The company is emerging as one of the biggest property developers in the region. By luck or judgment it has the timing right especially for the landholdings close to Manchester. The market is turning. Where there was dullness two years ago, now there is demand for space.

The key factor for Hermann Jungmayr, the property director, is the take-up rate. He believes Manchester could take an extra 2m square feet of office space. "How much can you put on the market without undermining rents?" he asked.

Two years ago the question would have been different. "How do you design and build for the rent to cover the cost?" He suggested that now the level of demand is not price-constrained. "The real question is - what is the depth of the demand? - and I don't think anybody knows the answer."

This confidence as a property developer is the new face of MSCC, which has the historic and statutory role of keeping open the Ship Canal and operating the docks in Manchester. But it also springs out of the bitter takeover by Highams last year in a £37m bid and the

subsequent re-division of the company's relationship with the Manchester City Council.

Highams is a private company controlled by Mr John Whittaker, who also controls Peel Holdings, the retail and industrial property group. The attraction of MSCC for Mr Whittaker was the landholdings. Once he had been control he sought immediately to maximise his new assets.

In the first place that meant negotiating independence from the Manchester City Council. This was done by buying back debt from the City Council and establishing with it a joint venture property company. This new company has identified three sites on City Council land where mixed commercial and residential developments might take place.

For Mr Jungmayr the change in ownership of MSCC has brought three radical changes: a commitment to keep the port operations open, including those on the upper reaches of the Ship Canal at the Manchester end;

the decision to develop and manage property in-house rather than delegate it all outside the office;

the decision of the Whittaker interests not to take any dividends and that means most resources are channelled back into development.

Mr Jungmayr himself is also the property director of Peel, so the evolution of MSCC finances will embrace the same philosophy: that is short term development finance will eventually be switched into long term fixed interest debt. Peel has been engaged in this process, launching a series of debentures. "But you need a parcel of good quality projects to do it," said Mr Jungmayr. "As we develop and the assets grow we will try and fix long term money against them."

In that search for "good quality projects", Peel has advantages. In the first place its landholdings are in place, in the form of equity; they are not generating debt. Second, the new owners of MSCC inherited some developments which provide a rent roll of about £2m a year and this is unguaranteed.

MSCC in short has some cash flow. "The only thing we have to fund is the actual construction," said Mr Jungmayr. Existing resources enable

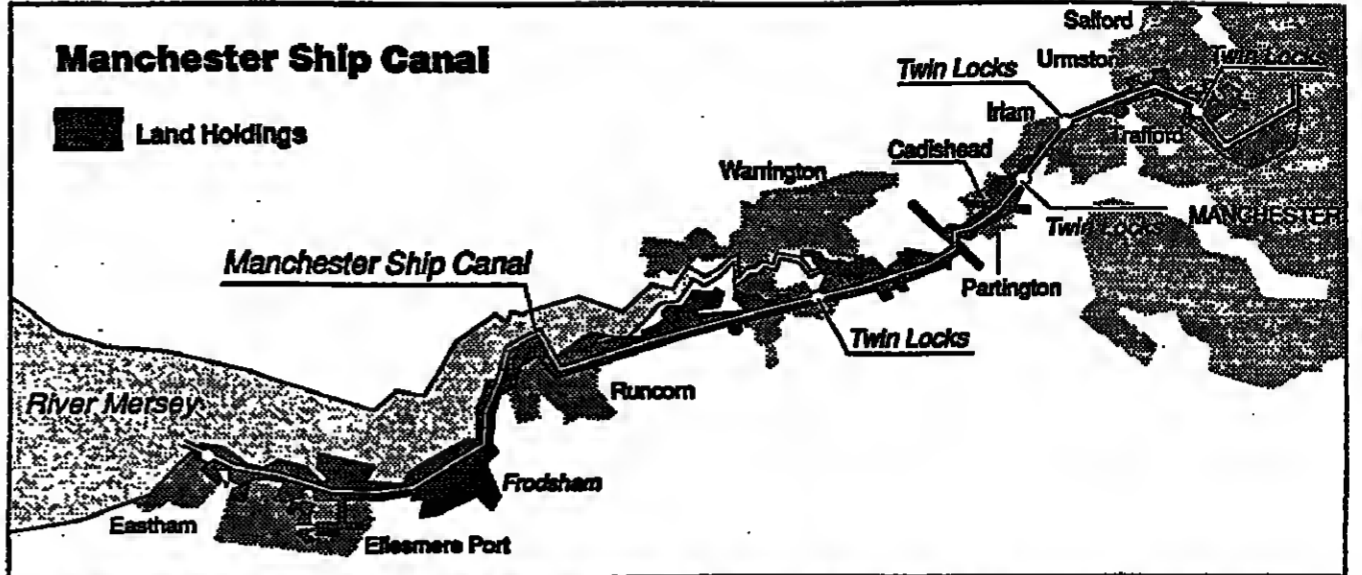
MSCC to finance an identified development for up to 12 months. This is being done through overdrafts or finance specific to a project without the need to enter elaborate funding agreements with banks.

Sources of finance already in place are adequate for modest projects, but other arrangements would have to be made for major proposals, if they should obtain consents, like the Trafford Centre shopping and leisure project on the eastern edge of Manchester.

In the immediate future the easiest developments for MSCC to undertake will probably be offices and industrial projects, or a mixture of both, in and around the Trafford Park Development Corporation area and the Enterprise Zone east of Manchester.

Mr Jungmayr noted that MSCC was doing its project appraisals on the basis of rents of £2 a square foot in the Enterprise Zone and £7 a square foot outside. These are conservative figures given the growing strength of the Manchester office market. He is emphatic that the yield from a fully let property has to exceed the cost of money.

But these are early days. The value of MSCC's land and buildings at the end of 1987 was £38.5m, the same as at the end of 1986. By the end of this year, it should be possible to see how successful is the company in raising its asset value.



ON THE banks of the Ship Canal, MSCC has some 4,000 acres of land. Recently it has been buying small chunks of land, a quarter of an acre here and there, to round off its sites.

The priorities for development are at the western end, concentrated as the Trafford Park Development Corporation area and the Enterprise Zone within it. This is where the market demand is strongest and the existence of the Enterprise Zone provides a convenient tax shelter.

But MSCC is also aware of the political push behind development in these Government-designated areas and is conscious of the fact that if it does not use its land, it could lose it. The Development Corporation has the power to take land over.

In the area around Manchester then, the biggest MSCC plan is for a £150m shopping and leisure centre on 300 acres in the Development Corporation area south of the Ship Canal. It is by no means clear it will go ahead. It is one of a series of proposals for major shopping centres around Manchester currently being considered by the Environment Department after public enquiries. There could be a decision at the end of the year.

Also within the Development Corporation area, plans are evolving for 600,000 square feet of office space and a start is being made with a 70,000 square foot building in a joint venture with G.E. Morris.

In the longer run there could be a leisure scheme around the docks on the uppermost reaches

of the Ship Canal and just to the East, provided there is Government aid, a mixed development based on old warehouses.

On the Salford side of the Ship Canal there could be a further large development providing 700,000 square feet of space, of which two thirds would be offices. But the rate at which offices would be developed will depend upon assessments of the market take-up and nothing is likely to happen without some element of pre-letting.

To the east of Salford there is Wessie Quarry, about which there has been vague talk, although not from MSCC, about an Olympic Stadium. As the Ship Canal winds eastward it passes Irlam where both MSCC and the Development Corporation hold land. They are

negotiating with Highland Participants, which is behind the privatising port of Boston in Lincolnshire, about a new docks operation.

Further east still, at Arpley, between Ramcorn and Warrington, MSCC has a controversial joint waste disposal venture with the Cheshire County Council. The two are involved in a company with a British Coal subsidiary and Bio Treatment of Cardiff on extracting gas from the waste.

Nearer the coast, the commercial opportunities are more limited, in the MSCC view. The previous owners, however, did have planning permission for a retail development at Ellesmere Port. The new owners are doubtful about the likely demand.

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ARTS



EXHIBITIONS

LONDON

The Royal Academy, Cézanne - The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century...

The Hayward Gallery. (Two exhibitions) Ego Paganini is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War...

representation of a seated woman by Picasso, a pastel of two dancers by Degas, and another by Gauguin showing two boys fighting. Monet is there with a Giverny landscape...

(1820-1882), whose visionary representations of the sea and the skies are mainly goods from everyday life. The show is a joint project between the Cornelia Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne...

Grand Canal changes to give a complete picture of the grand canal in the Mediterranean for over 1,600 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC...

Van Gogh, too, is well represented with his famous Arlesian and landscapes with tormented skies. There is also a portrait of his wife, a 'Tahiti scene' by Tanguy, and a 'Tahiti scene' by Gauguin...

WASHINGTON National Gallery. More than 100 masterworks from a superb 16th-18th century collection of Spanish and Portuguese paintings, including Velázquez's 'Juan de Pareja' and 'Juan de Fuca'...

TOKYO Tokyo National Museum. New exhibit on the art of the Edo period, including a collection of Japanese ink wash paintings from the 17th and 18th centuries...

OPERA AND BALLET

LONDON

Coliseum. London Festival Ballet with Swan Lake and an interesting set of triple bills. (836 3161).

Paris Opéra (Palais Garnier). Pier Luigi's production of Norma, conducted by Maximiano Valdes, holds brilliantly the strands of the romantic tragedy...

TOKYO National Ballet of Canada. A week-long season featuring Onegin choreographed by Cranko in one programme, followed by La Ronde performed with Eise Snake...

WEST GERMANY Cologne. Romisch-Germanisches Museum. Caspar's Glass. This exhibition is the most important display of Roman glass ever staged...

NEW YORK The Man Who Mistook His Wife For A Hat (Alice Tully Hall). Michael Nyman's chamber opera, which was based on the novel by Oliver Sacks...

WASHINGTON The Search for Signs of Intelligent Life in the Universe (Hessington). Lily Tomlin returns to the stage with her solo performance of the crazy people who inhabit her funny and strange imagination...

CHICAGO Les Misérables (Kennedy Center). The international hit of last season returns in Washington in the historical setting of Victor Hugo, set in music and lyrics by Claude-Michel Schönberg...

TOKYO Kabuki (Kabukichō). The kabuki theatre's greatest actor, Ichikawa Danjūrō, stars in a complete version of one of the most famous plays in the kabuki repertoire...

البنك الأهلي التجاري THE NATIONAL COMMERCIAL BANK (A JOINT LIABILITY PARTNERSHIP) SAUDI ARABIA BALANCE SHEET AS AT 30TH ZUL-HIJJAH, 1407H. (24TH AUGUST, 1987) CAPITAL & LIABILITIES

AUDITOR'S REPORT We have examined the approved Balance Sheet of THE NATIONAL COMMERCIAL BANK (A JOINT LIABILITY PARTNERSHIP) as at 30th Zul-Hijjah, 1407H (24th August, 1987)...

NOTES TO THE FINANCIAL STATEMENTS 30TH ZUL-HIJJAH, 1407H (24TH AUGUST, 1987) 1. GENERAL The National Commercial Bank is a joint liability partnership established in Saudi Arabia in accordance with registration certificate No. 48...

MAYFAIR CARPET GALLERY CLOSING DOWN SALE 75% OFF LAST DAY SATURDAY FOR EXAMPLE: KASHMIR BOKHARA SIZE 6 x 4 £ 150 PERSIAN SILK QUM SIZE 5' - 6" x 3' - 6" £ 1150...



# FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 4BY  
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Friday July 15 1988

## Fast growth continues

THE NEWS about the UK economy released yesterday is good. The question being whether it is wonderfully good or disturbingly good. Should the Chancellor of the Exchequer bask in the sunshine of glorious performance or assume that, in the UK at least, a little good weather means that bad weather is around the corner?

Over the month to June 9 1988 seasonally adjusted unemployment fell by 33,000, the reduction over the previous 12 months being 547,000. From its peak just over two years ago, unemployment has fallen by just over a quarter. Even excluding those on government training programmes the increase in employment was 523,000 in the year to the end of the first quarter and 548,000 over the previous two years. While a significant part of the improvement is due to administrative changes, fast economic growth has been the main cause.

These developments reflect the buoyant growth of the economy, also indicated in yesterday's information on the production industries. Yet another supposed slow-down in the economy - in this case, that in manufacturing in February and March of 1988 - turns out to have been mythical. The recovery in the manufacturing sector means that manufacturing output in the three months to May 1988 was 6% per cent higher than a year earlier.

## The training of managers

THE DRIVE to upgrade the education and training of British managers has taken another step forward this week with the launching of the Management Charter Initiative.

Mr John Birt, director general of the Confederation of British Industry, and Mr Bob Reid, chairman of Shell UK, are writing to more than 500 companies and public sector organisations, asking them to join the initiative and to subscribe to a fairly tame code of practice on management development.

The Council for Management Education and Development, the body behind the initiative, has moved with admirable speed. It is just over a year since two reports called for rapid action to improve the education of British managers. The council's draft code of practice was drawn up as early as February.

It is unfortunate, however, that several of the provisions of that draft have been eliminated from the final version. As it now stands the code contains some worthy sentiments, but makes few concrete demands on the companies which decide to put their names to it.

Annual reviews  
The code calls on companies to improve leadership and management skills throughout the organisation; to provide managers with support and time off to enable them to pursue learning opportunities; to review progress annually; to set new targets for the organisation and for individual managers; and to publicise both the review and the targets.

ments crisis and higher inflation. For the moment at least, inflation can be kept under control by maintaining interest rates at the present level or higher still (especially if there is any weakness in the exchange rate) and allowing the current account in to act as a pressure valve.

Medium term target  
So long as monetary policy can contain inflation, no panic action on the fiscal side, still less credit controls, are required. A continuation of present low rates of private savings might, however, be a good reason for the Government to reconsider its medium term budgetary target, since one would be chary of seeing the UK become a large net external debtor.

Labour productivity  
The growth of manufacturing has not contributed directly to either the increase in employment or the reduction in unemployment, because of the rapid growth of labour productivity. The growth of manufacturing explains why the normal consequences of rapid growth for the external account have been kept manageable, so far. The emergence of a current account deficit in the UK is not remarkable. What is remarkable is that the deficit has remained so modest. Precisely the same is true of earnings. It is remarkable that a decline in unemployment of about a quarter should have been associated - at least, so far - with only a rise from 7% per cent to 8% per cent in the underlying increase of earnings.

So the "dash for growth" continues. The fear is, of course, that the UK will end up with an unmanageable balance of pay-

Another provision which has been dispensed with is one which required companies to provide their managers with at least 10 days off-the-job training a year.

These involved in drafting the code defend the dropping of this clause on two, not entirely consistent, grounds. They argue, firstly, that the 10-day provision might frighten off smaller companies who would regard it as too onerous. The second argument is that specifying a certain number of days of management training might encourage companies to concentrate on quantity rather than quality.

Varying targets  
The first argument could be dealt with quite easily. The code could make it clear that while 10 days is the norm, appropriate targets for larger companies, smaller organisations should set themselves a more modest target.

As to the second argument, last year's reports made it clear that an over-emphasis on quantity is the last thing that British industry has to worry about. The reports said that British managers receive an average of only one day's formal training a year and that the majority of managers receive no training at all.

The advantage of the provisions in the draft code was that they would enable managers to insist that their organisations abide by the specific commitments they have made. The final code is too general to be of much assistance to the aggrieved manager.

## David Gardner discusses the rebuff administered by voters to a self-perpetuating Latin American regime

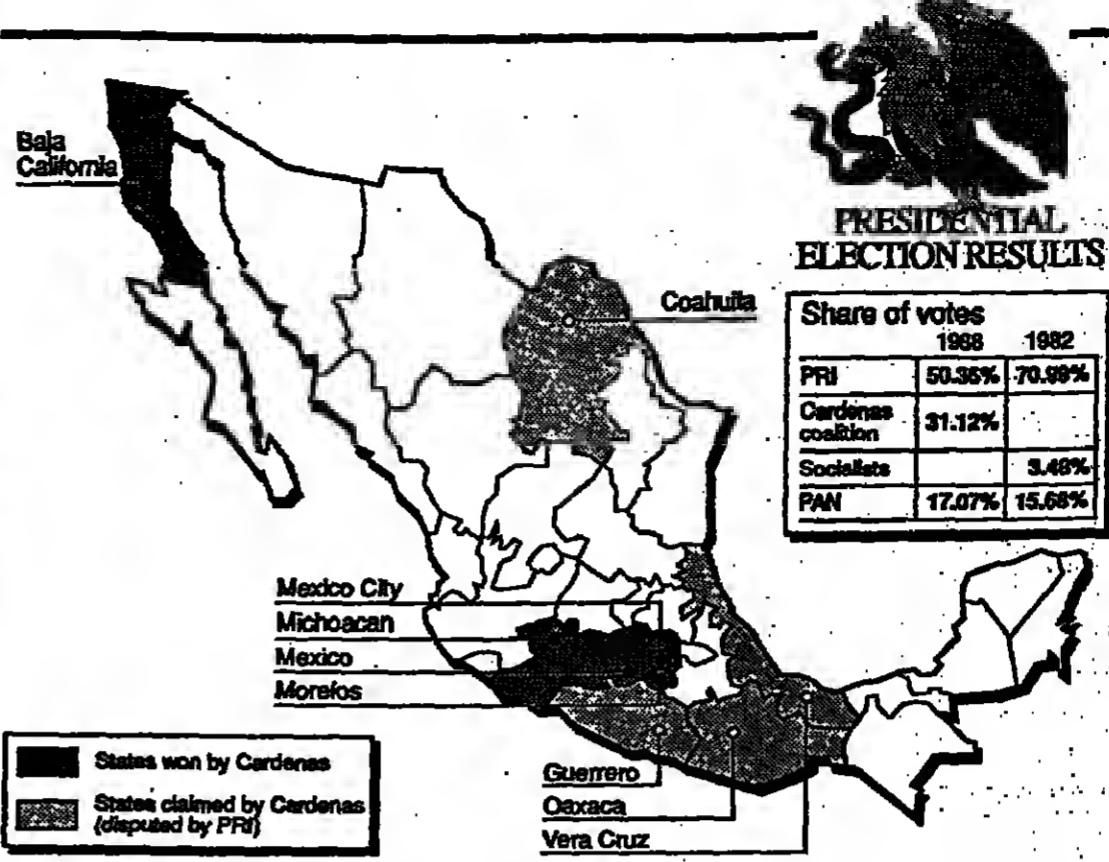
FOR PERHAPS 10 hours on Wednesday night last week and early the following day, Mexicans thought the unthinkable - that the Institutional Revolutionary Party (PRI) might have been beaten in the most fiercely contested presidential election of its 71 years in power.

At PRI headquarters, word came that the broad left coalition led by Mr Cuauhtemoc Cardenas had won in Mexico City and its surrounding states - the political heart of the country - as well as sweeping Mr Cardenas's home state of Michoacan. The news flickered in stress-lines of incredulity across the faces of party officials.

The crowd buzzed in to acclaim the PRI's victor, in the regime's traditional ceremony of historic inevitability, melted into the cold night, even jumping fences after party officials bolted the gates of the compound.

The spell was broken by the PRI president, Mr Jorge de la Vega, in a classic set-piece of Mexican corporatism, by leaders of the party's "three sectors" of workers, peasants and bureaucrats, he announced an "overwhelming, legal and unobjectionable" triumph for the regime's candidate, Mr Carlos Salinas de Gortari, a former Minister. But for the first time since the last rigged presidential contest in 1940, the PRI gave no figures to substantiate its triumphalism.

Mr Salinas's victory, confirmed by official results two days ago after a week-long hiatus, looks neither overwhelming nor unobjectionable, and its legality is being bitterly challenged by an opposition determined to resist what it regards as another



## In Mexico, the mould shatters

The official returns show a high number of spoiled ballots in some fiercely contested districts. Though all parties claimed turnout was the highest in Mexican history, half the eligible electorate abstained. In the official results, leading to opposition suspicion that, as Mr Cardenas put it, "many of our votes are floating in rivers."

Local party chairmen and trade union barons, used to delivering block votes rather like tribute to Arce emperors, show little enthusiasm for competitive politics which threatens their seats. In the hard school of politics acquired in the Gulf state of Veracruz and Pacific state of Guerrero, for instance, the Cardenasists are claiming victory while the local PRI is claiming to have won all seats to Congress and the Senate, as well as the presidential contest.

The greatest controversy, however, concerns the electoral commission's computer, which "went down" as soon as the first results - from urban areas of opposition strength - started coming in on July 6, allegedly due to "atmospheric" conditions. The long subsequent delay has convinced many observers that software was then used

to inflate PRI tallies to poorly investigated rural areas with a tradition of high abstention. Mr Salinas's national majority is, he underlines, 20 points down on President Miguel de la Madrid's 1982 win, previously the lowest total in the regime's consecutive sequence of wins since 1917. Mr Salinas's aides make clear that the PRI old guard strongly resisted any figure under 50 per cent and in apparently giving way to them, Mr Salinas may have gone through what has been dubbed "the ceiling of credibility."

Millions have said no to one-party rule and the ruling machine is finished in its present form

Mr Salinas's victory, confirmed by official results two days ago after a week-long hiatus, looks neither overwhelming nor unobjectionable, and its legality is being bitterly challenged by an opposition determined to resist what it regards as another

## Cowdrey fits the mould

Christopher Stuart Cowdrey, named as England's cricket captain yesterday, has all the captaincy credentials the English selectors would desire.

He has led Kent from a barren beginning of the season to its present position at the top of the country table. Even Kent's most ardent fans would not claim that it is a brilliant team, and in a way, that makes its recent successes all the more of a credit to Cowdrey.

On the other hand, it emphasises Kent's early disasters this season, and the fact that Cowdrey's batting and bowling is alarmingly patchy. Last year, he was 102nd in the averages, and suffered the ignominy of having a higher bowling average (65.2) than batting average (50.5). His only previous experience of test cricket was the tour to India and Australia in 1984-85, which he would rather forget.

Deep into ethics  
"Business is bad enough already without bringing ethics into it," the chairman of a famous British firm is reputed to have said when confronted with demands for a company philosophy and code of business ethics. And one must admit to some sympathy. The words "ethics"

## OBSERVER



As such, the codes might do some good. There is a salutary reminder of codes going too far, however, in Sir Trevor Holdsworth's resignation last week as a non-executive director of the Midland Bank because he did not wish to disclose every share transaction. "Most of us know what we shouldn't be doing," he said.

Proper chauvinism  
Never before, writes a reader in Surrey, has he seen a paper of the FT's eminence use the word "chauvinism" in a sexual context. We suspect that he cannot always read the arts page. But of course he is right. Nicolas Chauvin was a soldier supporter of Napoleon who carried his patriotism to excess. Observer apologies for last week's lapse.

St Swithin's Day  
The Thinker weatherman Bill Foggitt is wounding if he has been a little rash forecasting a long hot summer for 1988. While

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POLITICS TODAY

What's now left of the right

By Joe Rogaly

WASHINGTON REAGANISM/THATCHERISM may be going on and on in Britain, but it is in the 1980s that it has been in the United States...

This is one reason why federal deficit-reduction made so little headway in 1986 and 1987, although defence spending has been called off...



years. The homeless stretch out on park benches, a different tribe from the beggars. Subsidies for low income housing have been slashed during President Reagan's years in office...

Perhaps the most outstanding expression of middle-class concern about social policy is the scare over drugs. The polls still show this to be the front-runner among worries...

None of this should be interpreted as a return to the Great Society. In those heady days programmes that would eventually cost many billions of dollars, like Medicare and Medicaid, were regarded as both desirable and possible...

Mr George Bush knows as much: he stated early in his campaign that he wished to become the "education President" and supported increased spending on schools...

There is a strong belief that Mr Bush will "run as a Democrat" to catch this mood, just as Mr Dukakis, with his selection of the conservatively-inclined Mr Lloyd Bentsen as his running-mate...

This is also having an effect on the intellectual battleground. Let me explain. One of the striking features of the British Conservative Government's social policy has been the strong links of its theorists with American conservative theorists...

you cannot solve the problems of the poor by throwing money at them. It still has that function in some state legislatures. But, to take one example, Robert Greenstein, director of another, more liberal, think-tank in Washington...

The interventionist theories are being backed up by new books, like the recent Within Our Reach, by Lisbeth R. Schorr, which describes which on-the-ground policies have been shown to work, particularly among poor children...

Meanwhile the most that can be said, on the US side, is that the years of automatic rejection of government initiatives or regulatory legislation seem to be over. There are so many profound differences between Britain and America that this change of mood will not translate into a direct or immediate effect on various British Government policies...

Lombard A new deal for motorists

By Michael Prowse

SMUG CONSUMERS in the Western democracies look down on their counterparts behind the Iron Curtain with pity and condescension. These poor people are seen as the victims of a hopelessly inefficient economic system...

Yet, by and large, people are as passive in the face of these difficulties as Polish women in a bread queue. Traffic congestion is accepted as just part of life. A solution is not expected. In the aftermath of a particularly spectacular jam, ministers mutter about the need for new roads and commission consultants to examine ways of easing traffic flow...

Western politicians are in no doubt about the cure for queues and shortages in the Communist world. Stop relying on central planning and bureaucratic fiat, they say, and let the price mechanism work its market magic. But how many of these zealous free marketeers understand that it is their failure to rely on the price mechanism that lies at the heart of the horror of traffic congestion in the capitalist world? For some

reason, UK motorists are asked only to pay lump sum taxes for the use of roads - such as vehicle excise duty. No effort whatever is made to charge motorists for the marginal cost of using roads, even though this varies tremendously according to location and time of day...

Suppose the choicest goods were placed on supermarket shelves only between 8am and 9am and 5pm and 6pm, and that everybody had access to them, for no fee, provided they paid an annual "supermarket levy". A certain "rush hour" congestion might then be expected. This ludicrous state of affairs could be slightly mitigated by "bus" lanes for those with particularly large trollies. But the only sensible solution would be the introduction of pricing for goods as and when bought. Exactly the same holds good for the allocation of road space...

It is nearly 25 years since the government-appointed Smeed Committee concluded that it was technically and economically feasible to use the price mechanism to regulate traffic flow. Today, it would not be necessary to rely on crude tolls (although these would help); electronic devices set in roads could allow fine graduations in fees charged. Yet ministers continue to behave as though congestion were a nasty necessity. They say charges would bear more heavily on the poor than the rich. Of course they would: all prices do. But the strong case for redistributive taxes has nothing to do with the equally compelling argument for economic pricing.

The Thatcher Government should recognise that its East European road economy is not working. It is time to experiment with road pricing, both within city centres and on motorways. Motorists have been allowed to repeat the laws of economics for far too long.

Solving the drug problem

From Mr J. Stuart-Smith. Sir, I feel that Paul Maglione's somewhat dispirited response (Letters, July 12) to John Lloyd's well-reasoned article (Lombard, July 7) requires some reply. Mr Maglione appears to believe that a drug, by virtue of being legal and accepted by society, is automatically not harmful and not a problem. This is simply not so. By far the largest drug problems today are caused by alcohol and tobacco. These problems are not trivial: by any measure, the ill effects of the proscribed drugs pale into insignificance in comparison.

Having said that, there is clearly a need to control the problems of illegal as well as legal drugs. It may be that (as indicated by the Dutch experience) in the case of "soft" illegal drugs, the most effective way to do this would be to legalise them to some extent. Any resulting change from tobacco or alcohol to cannabis use might even be socially beneficial: evidence does tend to indicate that cannabis is less harmful to health than either tobacco or alcohol. The fact that this does not accord with Mr Maglione's beliefs is unfortunate but does not affect his truth.

It is also worth noting that cannabis, as well as being less harmful than alcohol, could be considered to have socially more acceptable effects on the user than does alcohol taken in large quantities. The answer to society's drug problem is not clear but neither, I think, John Lloyd, would advocate prohibition. It is probably undesirable to deprive society of all drugs and it has been clearly demonstrated in the US that prohibition does not work.

Letters to the Editor

However it is equally clear that the solution does not lie in saying that all established legal drugs are "good", all illegal drugs are "bad", and that society will be the beneficiary of the two is aligned in any way. J. Stuart-Smith, 74 St Bernard's Road, Oxford

The small saver's bank

From Mr L.P. Mecklenburgh. Sir, Your editorial on the Department of National Savings and a suggested need for restructuring (July 11) gives cause for concern. You rightly point to the importance of National Savings to small savers, the elderly and the young. It is well administered, provides an efficient, easily accessed service and above all gives total security for savings. Through its various instruments of investment and the simplicity of its procedures it provides arguably the best and certainly the simplest means of setting up trust funds for children. Through its investment accounts, index-linked certificates, and facilities for gilts transactions through its bonds and stock office, such trust funds have a security which is unequalled elsewhere in the market. Throughout its history, its great strength in its appeal to those members of the nation to whom it is principally directed, is that it is directly administered by the British Government. The

strength of this appeal psychologically should not be underestimated, nor should the patriotism of that section of society, which is given expression through this means of saving and investment. Privatisation would destroy those strengths. The TSB, through loss of regional control and its emergence as a mini financial conglomerate, has lost its status as the small saver's bank. Building societies, with their national groupings and progress towards incorporation are increasingly in danger of the same loss. Peculiarly but principally through its marketing and servicing through the Post Office, National Savings retains that status, and so it should continue. L.P. Mecklenburgh, 20 Fernhill Road, New Milton, Hants

Responsibilities to Namibia

From Mr Peter Manning. Sir, I was interested in your report of the comments made in Lusaka by Mr Neil Kinnock, the Leader of the British Labour Party ("Kinnock denounces violence by ANC", July 12). Had Britain and other Western countries fulfilled their responsibilities toward the United Nations trust territory of Namibia and, through economic sanctions, forced South Africa to cease its illegal occupation of Namibia, Mr Kinnock and other Western leaders might have some room to talk about the use of violence by the South West People's Organisation (SWAPO). After 10 years of South African defiance of the Western-designed plan for independence elections in Namibia (now UN Security Council Resolution 435), Britain still offers practical encouragement to South Africa's military occupation of Namibia. It does this by providing the world market for Namibia's diamonds and karekool pelts and British Nuclear Fuels admits that 80 per cent of the uranium it processes at its Springfields plant is of Namibian origin (FT, February 25). SWAPO takes the principled position of attacking only South African military, police and certain economic targets but does not attack civilians. Peter Manning, Swapo, 95 Gillespie Road, NS

Risks should be shared too

From Mr Philip Mickelborough. Sir, If barristers were to introduce a system of contingency fees payable only if their client won there would not be a problem over the payment of successful defendants' legal costs. There is a general principle in most aspects of life that when rewards are to be shared the risks should be shared also. In this case the defendant's costs would be met by the plaintiff and his counsel in the same ratio that their winnings would have been split. If one party could not meet

OUR BUDGET. The Museum of London has unearthed a well-preserved Roman warehouse near the River Thames in Southwark. Unfortunately, a municipal construction programme will soon bury the remains for ever. Enthusiastic though we are, our budget simply won't stretch any further. We need financial help, and quickly, if we're to get this unique piece of the City's past into a museum. We would welcome contributions or sponsorship from both companies and private individuals. Please send donations to: Museum of London Archaeological Trust, Museum of London, London Wall, EC2Y 5HN.

Investors could not reasonably have asked for a better performance

From Mr Jeremy Hale. Sir, Lax claims (July 11) that "foreigners have proved lamentably poor judges of the Japanese equity market lately." This is simply not true. In fact, foreigners' activity in the Japanese market over the last year or so has generally been remarkably well timed, as shown in the figures attached. For example, foreigners were selling equities into strength as the market rose to an initial peak in October, thus effectively selling at the top. They then maintained these net sales in the fourth quarter as the Japanese market fell between October and the end of 1987 - a period of weakness which is now often forgotten. Then, when the market recovered sharply in the New Year, foreigners were net buyers between January and

April, participating fully in a major rally. In May (and apparently June) foreigners sold Japanese equities again and the market fell from a mid-May peak. The narrow concentration of market trading, and the risks of tighter monetary policy in Japan, justify this caution. Overall, investors could not reasonably

Table: Foreigners' activity in the Japanese market. Columns: Date, Purchases of Japanese equities (\$m), Percentage change Mibex index, Net long-term capital outflow from Japan (\$m).

have asked for a better performance from their Japan fund managers. It is also not true that Japanese capital outflows have remained subdued in response to yen weakness. In May, the long-term capital outflow to Japan was \$15.5bn including a massive \$11.5bn into foreign bonds.

Admittedly, equity-related outflows have increased by considerably less but this does not imply that the Japanese equity market is unaffected. Japanese bond yields have risen by over 100 basis points over the last 4-5 months, partly in response to the flow of fixed income funds into foreign markets (mainly the US). This may eventually leave bond yield/equity yield comparisons as unfavourable as they were in October last year, prompting another significant correction in Japanese equities.

One final point: the Bank of Japan, not the Bank of Tokyo, determines Japanese interest rate policy. Jeremy Hale, Goldman Sachs International, 5 Old Bailey, EC4

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Western travel has shown young East Germans what they are missing, writes Leslie Collitt

Anger of the second-class Germans

A GROUP of young East Germans was waiting at Budapest airport for a delayed evening flight back to East Berlin after a carefree week in the Hungarian capital.



Honecker: deeply suspicious of his subjects' desires

But their allotment of Hungarian currency had run out and they had not eaten since breakfast. They tried converting their East German marks into Hungarian forints at the airport exchange bureau but were told they needed an East German currency allotment slip which they had already used up.

At a time of carnage in the Soviet Union such blatant propaganda has become a growing anachronism, especially to younger East Germans. While the most sought-after reading items to East Germany, Pravda and Izvestia are sold out within hours of hitting the newsstands and certain Soviet publications which are enthusiastically reformist are no longer allowed into the country.

remarked. The East German Protestant Church remains the sole escape valve for the enormous social pressures which have built up in the systems. Dissent and debate outside the Church and certain dissident groups which are shielded by it are so muted as to be virtually inaudible.

Scarcely a meeting of the Church passes without calls for domestic reforms. These have grown so persistent that the authorities have repeatedly banned issues of church publications in recent weeks. In one case an East Berlin weekly called the Church was forced by the censor to withdraw an article citing the reasons for the Church's opposition to the new Soviet policy of tolerance towards the Russian orthodox church.

Mr Manfred Stolpe, East Berlin's leading Protestant lay official, told a church conference in Halle recently that "even to the GDR there is no getting around the need for reform".

Berlusconi to buy store chain for L969bn

BY ALAN FRIEDMAN IN MILAN

MR SILVIO BERLUSCONI, the Italian commercial television magnate, is to buy 51.9 million shares of La Standa, the nation's leading department store chain.

Mr Berlusconi, who is better known for his private television holdings in Italy, France and West Germany, is buying the shares through a consortium of companies.

holders who collectively hold the remaining 29.6 per cent of Standa stock, which is the ordinary share of the company.

The prospectus for the Ferruzzi call for META shareholders to receive 15 Ferruzzi shares for every four of their own, contains a book valuation of L182.8m for Standa, or less than one fourth of the amount of cash META will receive from the deal.

Rover showdown a sign of Commission's toughness

Continued from Page 1

ing tendency over the past few years to support the Commission's tough line on EC competition rules.

of industry and the Brussels authorities appeared at times during the three months of negotiations to be talking at cross purposes, claim EC officials.

British Aerospace will go ahead with purchase

Continued from Page 1

Ministers were last night clearly embarrassed that the prospect of an embarrassing withdrawal from the deal had been agreed on Labour, however, accused the Government of attempting to salvage something from the mess it had created, rather than attempting to safeguard the future of the British motor industry.

paid up front on completion of the deal with BAE. There has been no change in the value of the only 5,000 of Rover's 21.6m trading tax losses which will be available after it has been acquired by BAE, and these losses can only be offset against future Rover Group profits.

Italy opens talks on insider trading law

By Alan Friedman in Milan

THE Italian parliament yesterday began discussing a draft proposal to write Italy's first ever legislation to regulate insider trading on the stockmarket.

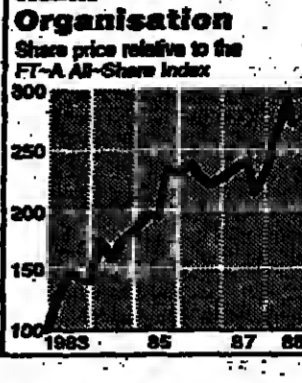
Although no draft law yet exists, a proposal has been presented to the parliamentary finance committee of the chamber of deputies (the lower house) by Mr Maurizio Sacconi, the under-secretary of the Treasury.

THE LEX COLUMN

Economical truths on Rover

For British Aerospace shareholders, last night's Rover statement was scarcely satisfactory. The company has plainly been subjected to some ferocious arm-twisting, and the Government insists that the deal has not been changed in the least, merely clarified. It is unclear why clarification should be needed on whether Rover is to be held to its own commercial plan; the implication must be, though, that whatever part of the deal caused such offence to BAE two days ago remains in place.

Rank Organisation



has found it hard to keep up. This time it was not only that Rank Xerox did better than expected, but that the managed businesses did worse. Indeed, adjusting for interest, they actually declined in the first half.

Plessey

Nobody can be sanguine about the prospects for growth in the Western defence market over the next few years, or the opportunities for operating profitably within it, at least of all, Sir John Clark of Plessey. The choice facing Plessey - as Sir John put it yesterday with characteristic bluntness - is to get in deeper, or get out.

Citicorp

The fact that Citicorp evidently regards its bottom-line more highly than its top-line may come as a relief to other players in the gilt market. Now that the biggest of the US banks has declared that trading gifts is intolerably unprofitable, any of the smaller ones who have complained have a better chance of being bought out.

Rank Organisation

Rank Organisation has long been struggling to make its managed businesses the dominant part of the group, but Rank Xerox has recently been doing so well that the rest of the company

Table with columns for City, High, Low, Open, Close, Change, and % Change. Includes cities like London, New York, Tokyo, etc.

François the Pharaoh

Continued from Page 1

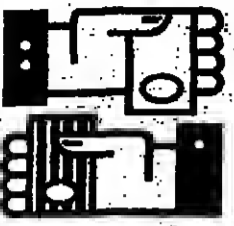
the time by dignitaries of the President's own Socialist Party.

Most commentators believe France needs less to build a new library than to reorganise its library system. The new head of the Bibliothèque Nationale, historian Emmanuel Le Roy Ladurie, has taken over a drowning institution.

British TELECOM British Telecommunications public limited company. £100,000,000 9 1/4 per cent. Notes 1993 Issue price 101 1/2 per cent. List of financial institutions including Kleinwort Benson Limited, S.G. Warburg Securities, etc.

J.P. Morgan & Co.

# FINANCIAL TIMES SURVEY



Politics, rather than economics, now dominates official policy towards exchange rates, writes

**Phillip Stephens.** Despite its latest rise, governments still fear an eventual 'hard landing' for the dollar, which could drag the US and its partners into recession.

## Waiting for November

THE MOST striking characteristic of the foreign exchange markets over the past few years has been their capacity to defy economic logic — and 1988 has proved to be no exception. The dollar's startling rebound, the pound's gains against other European currencies, and the weakness of the Deutsche Mark in the European Monetary System (EMS) have once again demonstrated the ability of global capital markets to ignore, for a time at least, the underlying forces in the world economy.

In parallel, as forecasts at the start of the year that the US currency faced a free-fall against other major currencies have failed to materialise, the general perception has been of a period of calm.

That in part is simply a reflection of the extent to which both governments and business have become inured to wild fluctuations in exchange rates.

A decade ago it would have been laughable to describe a six-month period, during which the dollar rose by 15 per cent against the D-mark and by more than 10 per cent against the Yen and sterling, as one of relative stability.

More centrally, however, the

perception reflects the view among governments that the central risk facing the world economy remains an eventual "hard landing" for the dollar, which could drag the US and its partners into recession.

With the November presidential election looming closer and last October's stock markets crash still fresh in most people's minds, it is politics rather than economics which now dominates official policy towards exchange rates.

The overriding aim of the Group of Seven nations, as reflected in the communiqué released after last month's Toronto summit, is to preserve calm until either George Bush or Michael Dukakis is installed in the White House.

Then, official thinking runs, governments will have the opportunity to provide firmer foundations for currency stability by tackling the fundamental problems underlying the huge US trade deficit and the parallel Japanese and West German surpluses.

The new president will be expected to produce a credible programme of reductions in the US Budget deficit, and West Germany and Japan will face pres-



## Foreign Exchange

sure to respond with a strengthened commitment to stimulate their economies.

In the meantime, private investors outside the US must be persuaded to continue financing the trade deficit. After buying \$140bn of US securities in 1987, central banks outside the US believe they have done their share.

The dollar's gains over the last few months have generated some optimism among policymakers that the markets may deliver the breathing space they need. Washington's ready acceptance of the appreciation has reflected its concern both to blunt upward pres-

sure on US interest rates and to provide a cushion in the event of renewed speculative attacks on the currency.

Below the surface, however, official confidence that the markets will deliver such a breathing space is as much an expression of hope as of expectation.

Despite the reemergence on Wall Street of predictions that the decline of the dollar may finally be over, few policymakers believe that its recent gains can be sustained. A set of bad US trade figures (those for May are due this week), another trans-

lantic dispute over interest rates, or a resurgence of concern over inflation are among a number of factors that might shatter the calm.

Pessimists see clear parallels between recent events and developments during the summer of 1987 which preceded the stock markets' crash and the subsequent slide in the dollar's value. Then, as during the last few months, the dollar was rising, the US trade deficit was apparently shrinking and interest rates outside the US were rising.

Since last year, there has of

course been a further visible improvement in the US trade gap. The longstanding shifts in the volume of trade flows, in response to the dollar's depreciation since 1985, are finally being translated into a significant narrowing of the monthly gap.

On a seasonally-adjusted basis, the monthly trade deficit averaged just under \$12bn in the first four months of this year, down from over \$14bn in the second half of 1987. The volume of exports in the latest period was 25 per cent higher than a year earlier. Imports were up by only 4.5 per cent.

## CONTENTS

The soaring yen: increased productivity is keeping exports up	Politics and co-operation: in place of the free-floating system?
Smaller currencies: investors have been trying new flavours	The brokers: a cliffhanger that is still running
Sterling: inflation and the trade gap are the spectres	Corporate treasurers: why there are more of them
Profile: Midland Bank	Technology: praise for an electronic deals system
The EMS: Bundesbank's caution	World reports and A trader's day
The central banks: since Plaza they have become major players	

It is these figures which have persuaded investors, particularly in Japan, that they can resume their purchases of US assets to finance the deficit without running the risk of further heavy exchange rate losses. That in turn has pushed up the dollar's value.

The problem, as the Bank for International Settlements (BIS) noted in its annual report last month, is that a world dominated by high-speed capital mobility is also one dominated by expectations. Put more simply, private investors will have to be persuaded that the narrowing of the trade gap seen so far will be sustained at a reasonable pace over the next few years.

The economic evidence suggests that such a trend is far from assured unless the US delivers sizeable cuts in the budget deficit and the surplus countries accelerate the pace of growth in their economies.

Both the International Monetary Fund and the Organisation for Economic Co-operation and Development, for example, believe that, on the basis of present exchange rates and policies, the US current account deficit will average around \$130bn over the next few years. That is more than \$30bn below its peak in 1987, but nonetheless implies a build-up in the US external debt to over \$1,000bn in the early 1990s, a figure which might dull the appetite for US bonds of even the most optimistic Japanese investor.

Against that background, the dollar's recent appreciation has created more unease outside the US than within. The private fear of some European policymakers is that, while a stronger dollar now may be politically convenient for Washington, the eventual result may be yet slower erosion of trade imbalances and, possibly, a less manageable slide in the US currency's value later this year or next.

"No one wants a further large fall, at least until the US delivers credible cuts in the Budget deficit, but a rising dollar is building up problems for the future," is how one European central banker puts it.

It is not only the dollar which has been unpredictable. The sharp appreciation in sterling's value against the D-mark, during a period when the Britain's trade position has been deteriorating

rapidly, looks equally unsustainable. The conventional explanation is the high level of British interest rates relative to the rest of the world. But the extent of the upward pressure on the pound, seen over the last year (and only partially reversed in recent weeks), provides further evidence of the increasingly short-term perspective of foreign exchange markets.

It is hard to find a single trader who believes that the pound will appreciate over the medium term, but there are scores who believe there may yet be profits to be made from a rising pound in the short term.

The dollar's gains, meanwhile, have distorted currency relationships within the EMS, weakening the D-mark against the French franc and Italian lira and removing pressure for an early realignment of parities. Short-term movements are again pointing in the opposite direction to any reasonable expectation of medium-term trends.

France — and to a lesser extent Italy — has made significant advances in both reducing inflation and in improving its productivity performance, so the ritual devaluations of the early 1980s to take account of inflation differentials with West Germany may no longer be needed.

At the same time, however, West Germany's partners may well be unwilling to accept the severe balance of payments constraints on faster economic growth presented by the D-mark's current parity in the EMS.

As the BIS puts it: "For a country within the EMS, it is considered to be asking for trouble to grow more strongly than Germany, which, however, is itself no more prepared to take on a locomotive role in the European context than on a global basis."

At some stage, all of these misalignments will have to be reversed. And an eventual fall in the dollar's value may provide the trigger for shifts in sterling's value and for a realignment in the EMS.

The question is whether the markets will be as patient as the politicians, and give a new US president the opportunity to manage a "soft landing"; or whether, like last autumn, they will seek to impose their own remedies.



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FOREIGN EXCHANGE 2

The soaring yen

Productivity and low costs help to sustain exports

SINCE THE Plaza agreement of September 1985, the yen has risen from 230 to the dollar to a range of about 125-130 to the dollar. Japanese industry has shown remarkable resilience in coping with such a wrenching change that export volumes are even on the rise again.

European currencies. In May, it moved from Dm74.60 to Dm72.40. There are fundamental reasons for thinking that it will move up again against the dollar. Mr Russell Jones, of Hoare Govett, and Mr Kenneth Courtis, of DB Capital Markets, are just two Tokyo-based securities-company economists now telling their clients to expect a rate of 115 to the dollar in the near-to-medium term.

new products with lower break-even points and increased productivity, the yen value of Japanese export prices has been cut by about a quarter since 1985. That has helped Japanese companies sustain, and now increase, export volumes, so keeping export earnings surprisingly insulated from the high yen.

Japanese exporters are even more sanguine (or confident of their ability to sell abroad, however high the yen moves). An informal survey by the Ministry of Trade and Industry, in March and April, found that Japanese balance will shrink more slowly still.

Japan's net foreign assets of \$325bn are now generating an income estimated at \$2bn a month. That will turn the service account from deficit to surplus

There is a strong, and building, structural pressure on the current-account surplus to remain large. Japan's surplus savings, put aside by households to pay for education, old age and housing, are far in excess of private investment and public-sector net expenditure. This surplus and the success of its economy has been the basis of Japan's swelling capital outflow in the 1980s.

Japanese policy-makers are constrained in mopping up this extra liquidity. Any significant tightening of monetary policy would jolt up interest rates, narrowing the spread between yen and dollar bonds. This the authorities are trying to keep wide and stable, in order to keep the dollar stable. A hard landing for the dollar in such circumstances would unsettle both currency and equity markets worldwide, possibly catastrophically.

The question for the foreign exchange markets is how long they will give the new president to show the card. The markets have the sort of bear raid on the dollar that no central bank intervention will be able to fend off.

Japan's net foreign assets of \$325bn are now generating an income estimated at \$2bn a month

trading houses expected Japan's custom-cleared trade surplus to be little changed in fiscal 1988 from fiscal 1987.

Japan's net foreign assets will continue to grow as the current account surplus self-fulfillingly continues to provide more funds for overseas investment. So there is a strong possibility that the decline in the current-account surplus could be reversed. This

Smaller currencies have gained popularity among investors in the last 12 months

Some tasty flavours from the second shelf

THE AUSTRALIAN dollar, Spanish peseta and Danish krone may not have the glamour of, say, the dollar or yen, but in the last year they have proved worthy rivals. While the attention of international markets seems focused on trading the dollar, Deutsche Mark, sterling and yen, other currencies have offered potential rewards (and risks) at least as great as the big four. Like unspiced beaches, the problem is that once discovered by more than a few, they can lose their appeal.

Investors are looking increasingly for high interest payments as well as currency appreciation. "With the world currencies moving towards a more fixed exchange-rate regime, the obvious strategy is to buy high yielding currencies," says Mr Chris Wright, deputy manager of the economics department at Barclays Bank.

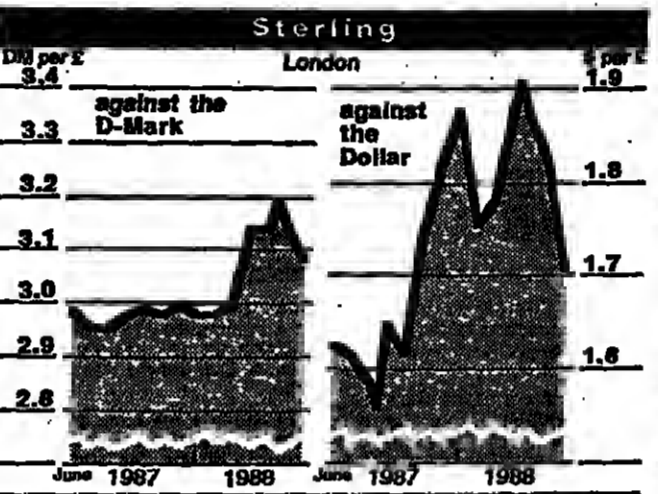
good a return as the big four and a bit more. Currently the necessary condition seems to be that a currency is backed by high and stable interest rates. Most recently the second-tier currencies have lost a little of their appeal as the exchange markets have encountered turbulence. With first sterling and then the dollar seeming to become one-way bets, the interest in alternatives that had been building for perhaps a year before began to wane.

beginning of the year, it has risen by about 15 per cent against the US dollar, and about 20 per cent against sterling. Its strength has been underpinned by high interest rates.

Another category of currency that may grow in popularity in the months ahead is that of the emerging, developing economies such as Taiwan and South Korea.

has been boosted not only by a high cost of borrowing, but also by a fast-growing economy. Although the market is strong enough to support trade outside Spain, it is not as liquid as for the big four and, say, the Australian dollar. Moreover, some analysts fear its appeal might ease as a growing trade deficit looms large.

However, some European currencies outside the EMS, such as the Swedish krona and Norwegian krone, are managed against a weighted basket of trading partners' currencies. This makes



Sterling: inflation and the trade gap are the spectres, and . . .

Interest rates the weapon

ON MARCH 10, three days after the Government decided to uncap sterling and when the pound was trading around Dm3.08, Mr Nigel Lawson, the Chancellor, told the House of Commons that any further currency appreciation, especially against the Deutsche Mark, was "unlikely to be sustainable".

had been well telegraphed to markets since last summer. Foreign investors saw little "downside risk" to having sterling assets in increasing amounts in February and March.

which are not always at one with foreign investors in their upbeat view of the UK, the critical factor in the Government's policy is to determine whether the overall stance of policy is sufficiently anti-inflationary.

Upward pressure on the pound has been building in the first week of March. The Bank of England accumulated more than \$2bn over three business days to hold the Dm3.00 line - so there was little surprise that when the authorities stepped back from the market on March 7, the currency should rise and do so sharply.

Further rises in interest rates might lead to a wider trade gap

This has served to highlight the Government's policy dilemma - how to pursue its anti-inflationary commitment and preserve exchange-rate stability using the single instrument of interest rates.

Whether Britain is on the verge of an old-fashioned "sterling crisis" is much more difficult to judge.

The pound was supported further by a dispute between the Chancellor and the Prime Minister over exchange rate and monetary policy. He has sought to emphasize currency stability and the fight against inflation; Mrs Thatcher has sought to emphasize the fight against inflation and currency stability.

High borrowing costs are needed to restrain domestic demand in the economy, but a further ratcheting up in rates might push the pound up to levels which might lead to a further widening in the trade gap.

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FOREIGN EXCHANGE 3

The jargon

'Bill and Ben' and the forex men

The fast-moving, agitated world of the foreign exchange dealing room is a strange place to the uninitiated. Speed and decisiveness are essential, making it necessary to have a shorthand for the terminology. That's the theory, anyway, says RALPH ATKINS, who offers a lexicon of foreign exchange lingo.

Position: Start with the basics. This is what you've got - your holdings of currencies. Long: A dealer is long in a currency when he has a holding in it. "Long of sterling," for example, means he has bought pounds and has them available for sale.

Short: The opposite of long - although it's not quite that simple. You're short in sterling when you don't have any and have other currencies to be sold for pounds.

Square: A dealer is square when he has no position and is neither short nor long in the currencies in which he is dealing. Junior dealers in many banks often start and end each day square - hoping to have made a profit in between.

Cable: Shorthand for sterling/dollar trade. Hence you talk about the "cable desk," the "cable rate" and so on. It dates from the days when deals were made by cablegram.

Paris: Affectionate name for the French franc. First of a series of nicknames by which forex dealers boast their knowledge of world capital cities.

Gilder: Not so affectionate name for the Dutch guilder.

Bill and Ben: Rhyming slang for the Japanese yen. Probably not appreciated completely in Tokyo.

Kiwi: Unoriginal nickname for the New Zealand dollar.

Belg: Even less original slang for the Belgian franc.

Swissie: Australian dollar.

Stocky: Swedish kronor - from Stockholm, capital of Sweden. (Not such a dim lot, these forex dealers.)

Copey: Danish kroner. Named, of course, after Copenhagen.

Markis: For some reason, there do not seem to be commonly agreed nicknames for the D-mark, dollar or sterling. Hence the German currency is called simply Marks.

Quite right and proper it is, too.

Yard: Forex dealers talk only in millions. If you are asked for five pounds you give 5m. (Luckily this doesn't apply in wine bars.)

Yard is used for billions.

Mince: No messing about with please and thank-you. Mine means, "I'm buying".

Yours: Shorthand for "I am selling to you. Thank you for doing business with us. I hope we will have the pleasure of your patronage again in the near future. In the meantime, have a nice day."

Spot: A spot deal means settlement within two working days. Such deals are used to establish a position.

Tomnext: Settle the next working day.

Spotnext: Settle within three days.

Spot-a-week: Settle within a week.

Spot-a-month: You are probably getting the hang of these by now.

Cockdate: Settle at some date between a week or a month.

Swaps: When currency holdings are mismatched, swaps are used to roll a position over from one day to the next. An example would be a dealer who is long in dollars and short in D-marks due for settlement on the next day. He sells the dollars to buy back tomorrow (remember that one?) and does the opposite with the D-Mark. Interest rates are then paid on each holding currency to the interest rate prevailing in the appropriate country. Spotnext, tomnext and so on are, in effect, a form of swap.

Crosses: Most currencies are quoted against the US dollar. A cross rate is between two other currencies - for instance, sterling/D-mark or D-mark/yen.

Chartists: No longer are Chartists a 19th century group campaigning for the reform of the UK parliamentary system. They are the analysts who believe currencies should be traded for profit by charting their ebbs and flows and looking for patterns. They disagree with Georg Wilhelm Hegel when he said: "What experience and history teach is this - that people and governments never have learnt anything from history."

Fundamentalists: These analysts argue that currencies ought to move according to the economic fundamentals of a country. No one has yet discovered for sure who is right, the chartists or the fundamentalists. At least, if they have, they are keeping quiet about it.

How one bank makes a profit in the volatile exchange market

Trusting in local judgment

BANKS WHICH aim to succeed in the fast-moving foreign exchange business commit themselves to huge outlays on people, equipment and communications. Although Midland Bank has retrenched part of its foreign operations to make way for its new ally, the Hongkong and Shanghai Bank, foreign exchange is one business where it aims to keep and expand - its global presence.

The nerve-centre of its worldwide currency operation is a striking blue glass building at Billingsgate, by the Thames in the City of London, the headquarters of Midland Montagu, its investment banking and treasury arm.

There, in an office overlooking the stream on one side and the bank's busy central dealing room on the other, sits Mr Tom Lockett, the director in charge of foreign exchange trading and treasury sales, which last year earned Midland 132m in gross profit.

"I believe we can consistently make a profit in foreign exchange," he says. "The trick is to keep costs in the right proportion to revenues."

Mr Lockett's empire consists of about 200 traders, researchers and salesmen spread in various centres around the world to cover the 24-hour trading day. The majority - about 100 - are

in London, and most of the others are clustered in two regions: North America (centred on New York) and the Far East (centred on Tokyo and Sydney).

The challenge for any bank in the notoriously volatile exchange markets is to keep effective controls without stifling the trading and profit-making instincts of its dealers. Midland's approach, laid out in two thick red operations manuals, is to set strict parameters for each of its dealing centres, but to leave them free to deal largely as they like within them.

No central record is kept of the bank's positions at any one moment, so it is possible that New York might be long on the dollar while London is short, because each thinks that to be the best position knowing the local market. Although this might cause contradictions or overlaps, Mr Lockett believes it produces much more effective trading.

He also discounts the possibility that Midland could find itself horribly over-exposed to a sudden currency movement. "In an era of floating rates, the danger of something moving by more than 5 per cent is extraordinarily remote," he says.

The trading action moves with the clock from one centre to the next, and each centre is respon-

sible for the positions it takes.

As the Far East hands over to London, and London to New York, and the New York back to Sydney, dealers brief each other about their sensitivities. So if there is a sudden discount rate cut in the US, a London or a Sydney dealer will be hauled out of bed and asked whether he wants to sell out his dollars positions.

To encourage communication between dealers, Midland sends them on regular journeys to meet each other. "The system has to work at a personal level," says Mr Richard Mahoney, who heads the 45-person dealing operation at Midland's offices high above Madison Avenue, New York. "There's a lot of trust involved. You're relying on them to be your eyes and ears in another market. That's not something management can ordain."

Mr Mahoney also believes that strong local autonomy allows Midland to develop much closer links with other banks in the New York market than if it was run from London.

For Midland, the trading day starts in Sydney, where the chief dealer Glen Rothquel picks up the overnight intelligence from New York. This is Midland's largest Far East foreign exchange operation, though the bank is also building up its presence in

the Tokyo market which is considered by most banks to be the key centre in the region.

Midland has now closed down its office in Bahrain, so at the end of the Far East day, the business moves straight to London where that market gets underway at about 8am with calls from arriving dealers to their departing colleagues in Tokyo.

The climax of the foreign exchange day comes in the early London afternoon, when New York opens up and the trans-Atlantic lines hum with thousands of deals. Then the Billingsgate end begins to wind down, Mr Lockett's colleagues brief Mr Mahoney's, and London goes home. At this point, the New York market quietsens down, and after lunch trading there becomes quite thin.

"It can be a treacherous market," says Mr Mahoney. "Our traders have to learn to trade two quite different markets. It takes quite a bit of finesse to manage large size business in the afternoon."

As the sun goes down over Manhattan, Sydney begins to stir, and the final thing Mr Mahoney does before he leaves is brief his opposite number there, Mr Rothquel. And so one day ends and another begins.

Aside from trading currencies, Midland's foreign exchange oper-



Tom Lockett: 'Keep costs in the right proportion to revenues'

Ashley Ashwood

ation also devises and deals in risk management instruments like swaps and options, for clients who want to protect their currency exposure. Most of the creative work in this area is done in London by a treasury financial engineering group headed by Mr Tim Gooda. Midland also trades metals (Samuel Montagu, its merchant bank, is a major bullion dealer).

Midland has put a lot of effort into risk management products, believing, Mr Lockett says, that the scope for growth is still large. "Not nearly enough corporates are using them," he says. "There is more inter-bank business now, so there is more liquidity and prices are lower." Middle market companies, in particular, he thinks will use foreign exchange services more.

One of Mr Lockett's aims is to improve the quality of Midland's foreign exchange earnings, to develop a regular flow of business which is less dependent on the swings of a volatile market. Last year's profits, he admits, were exceptionally good, and he will be happy if he does no more than repeat them this year.

David Lascelles

The EMS

Frankfurt remains cautious

WITH A wry smile on their faces, European central bankers have a favourite rhetorical question: what would happen to the European Monetary System if, in six months, the dollar had fallen sharply and there were elections in France?

The answer they give is that a realignment of the exchange rate mechanism (ERM) of the system would have to have occurred to preserve the stability of the French franc and the Italian lira. The series of events implied in the question, of course, is precisely what happened. The answer, as recent history showed, is completely wrong.

But the fact that central bankers think in this way is an indication of what the EMS was, and a demonstration of just how far it has come since the member currencies of the ERM were last realigned in January 1986.

Talk of its being an "island of relative currency stability" is now less of a sales pitch and more of a reality than it has ever been in the system's nine-year history.

However, the successes of the past six to eight months - which are in large part the result of institutional changes agreed last autumn - should not disguise the conflicts that remain within the EMS. These fall into two broad categories, which inevitably overlap: the economic and the institutional.

Because the system is dominated by the Deutsche Mark and the monetary policy of the Bundesbank, the West German central bank, some contend that the rest of the EMS members are destined to be constrained to German rates of economic growth to avoid the risk of balance of payments problems.

With unemployment in Europe high and, in the near term, possibly rising, growth stuck at the German rate of 2 per cent or less a year is politically and socially unacceptable.

It was a feature of the Bretton Woods system that deficit countries tended to bear most of the brunt of adjustment, and so too with the EMS. The countries with weak currencies, such as France and Italy, have had to maintain much higher interest rates than Germany or the Netherlands.

This has led to calls, particularly from France, for greater "symmetry" within the operation of the EMS: viz. if France (and other weak currency countries) has to tighten its belt to restrain costs and inflation, Germany should be prepared to operate a more expansive fiscal and monetary policy so the region as a whole can grow faster.

The logic of this line of argument is not self-evident - France and Italy can grow faster than Germany without threatening a balance of payments crisis if their unit labour costs grow at a slower rate than Germany's - but it seems to remain a deeply held proposition.

There are signs that the French, at least, are moderating their stance on the issue. Officials now like to talk of a policy of "competitive disinflation" rather than competitive devaluation. They point out that the realignment of currencies in January 1986 erased the gap that had opened between French and German relative unit labour costs from 1983 until the end of 1985.

And developments in costs now appear to be working more in favour of French industry than its German competitors.

Continued on page 4



Opening Night

It's 3.00am in London. Every other trading floor in the City has been empty since the London market closed yesterday. Before they went home, those traders delegated the responsibility for the positions they had taken on behalf of their clients on the world's foreign exchange markets to counterparts in Sydney, or Tokyo - people they've probably never met and who may well work for another bank. Their actions, or inaction, will affect what your money is worth when you wake up.

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**FOREIGN EXCHANGE 5**

Floating rates make the corporate treasurer an important person

**More join the risk business**

IF CORPORATE treasurers had been around at the time of the ancient Chinese, they would surely have invented a proverb along the lines of "the most dangerous risk is the one you don't know about".

In a world of free-floating exchange rates and growing international trade, the role of the corporate treasurer is becoming ever more important. Without a comprehensive knowledge of the risks it faces, the consequences for a company of currency swings can prove costly.

Even in big, established companies the possible penalties are large. In January, British Aerospace said it would charge all the foreign exchange losses it expected on civil aircraft for the next two years to its 1987 accounts. The provision it made totalled \$320m.

However, companies are giving ever greater emphasis to managing risks - and assessing opportunities - posed by currency movements. It is a trend triggered by the abolition of exchange controls since the early years of Mrs Margaret Thatcher's government, and strengthened by the volatility of exchange rates.

The Association of Corporate Treasurers (ACT), for instance, has grown from 450 members when it was founded in 1979 to a current level of about 1,000. With strict scrutiny of members, it also has 400 student members.

Simply expressed, the job of a corporate treasurer is to balance risks and rewards. That is, to hedge where the cost is reasonable; to take a risk if the consequences are controllable or the potential rewards justify it.

However, this requires a company to know what dangers it faces - a point apparently lost on many businesses. "The main reason why many companies are taking big risks, is because they don't realise they face one," said one analyst in a City foreign exchange dealing room.

Foreign exchange risks companies face fall into three categories:

- Transaction exposure applies where a contract with an overseas customer is arranged in a currency other than that used by a company for accounting purposes. There is a risk that exchange rate movements during the period of a contract will turn a profit-making deal into a loss.
- Translation exposure arises when a operations of a group's business sector, such as an overseas subsidiary, are accounted for in a different currency than for the parent group.
- Economic exposure applies when a currency movement has an adverse effect on a company's competitiveness. For instance, a rise in the pound, might mean a British company would find it difficult to negotiate, or re-negotiate, contracts overseas.

To an extent, it is a second-order effect of transaction and translation exposure that takes longer to take effect, but it is potentially the most serious long-term threat to a company.

The action that a corporate treasurer takes to hedge these three risks reflect the wider aims of a group. Hedging instruments can be costly and possibly affect a group's tax position, while some companies are more risk averse than others.

At the same time the appropriate action varies according to circumstances. In an industry where competitors do not hedge, for instance, a company that does, may face a cost disadvantage if rates remain stable.

"There are no simple answers, but it is an area which has not been subject to as much analysis as perhaps it might have been," says Mr Gareth Jones, chairman of the ACT's technical committee.

At present the job of a corporate treasurer in Britain is particularly difficult. Since March, sterling has been allowed to rise far above the DMS ceiling, and few are willing to speculate about the direction it will move in the next few months.

The principal weapons used by treasurers to hedge in such circumstances are forward contracts and options.

A forward contract is the simplest tool of a corporate treasurer. It is an agreement to buy or sell a currency at a fixed rate for an agreed period of time. Although they provide a guarantee against adverse currency movements they can prove restrictive if the currencies move in a company's favour.

There are two more sophisticated versions of forward contracts. The first is a swap. These are used as a hedging instrument when a company has an asset in one currency and a liability in another.

Using a bank as an intermediary, the company can find a company in the opposite situation. The liabilities are then swapped, so that each company has its assets and liabilities in one currency. Each pays interest on the liability according to the rate prevailing in the country of the relevant currency.

The second form of forward contract is straightforward borrowing or lending of a foreign currency ahead of a transaction to protect deals against adverse exchange rate movements.

An option is the right to buy a currency at some particular price at some time in the future. Its advantage is that it removes uncertainty and can realise speculative profits if a treasurer believes it is priced wrongly. The big disadvantage is the cost, which frequently appears expensive and can prove prohibitive.

In a large company, the management of foreign currency holdings often becomes an hour-by-hour job. Volatile or unexpected currency movements can require swift reaction.

In some businesses, the corporate treasurer's department acts almost like a bank, with its customers the various parts of the business group. Most, however, are more risk-averse than organisations whose primary purpose is speculation.

Mr Stephen Crompton, director of treasury at Beecham Group, the pharmaceutical and consumer products company, says his department operates as a profit centre in its own right. It employs a total of 13 people in the UK and the US - not unusual for a group of Beecham's size.

"Just to say that we are a profit centre and not to about risks is a dangerous simplification," he says. "We are in the business of taking risks as agreed in advance within our strategy. I don't think that is properly described as speculation."

Unfortunately, even the most risk-averse company will find there is a limit to how far hedging can be taken before cost and the mechanics of foreign exchange markets impose restrictions. However, that does not mean the job of the corporate treasurer had ended.

Mr Gareth Jones of the ACT says their role is more general than just hedging. "The key job for the treasurer is to analyse all the risk and to make sure people are aware of the risks."

**Technology**

**Deals system wins praise**

PAUL NASH, managing director of E.P.Martin, the major foreign exchange broker and chairman of the Foreign Exchange and Currency Dealers and Brokers Association, has no doubts about Autoconf, the electronic deal confirmation system the association pioneered three years ago.

"When turnover is huge, it is absolutely essential. It has attracted all the major players and the banks seem delighted with it too."

Autoconf, basically a system which sends confirmation messages in agreed formats over the public packet switched network, was devised by forex dealers for forex dealers, so it is perhaps no surprise that it is a success. A prerequisite for building good software is an understanding of the customer's application.

Built by Hoshkyns, the UK services company owned by Martin Marietta of the US, it is now managed by the specialist services company City Networks. The latest development from the Autoconf stable, TRAM, seems also to be winning plaudits.

Designed for banks involved in forex transactions, it brings together reports from the bank, from the broker and from the counterparty watching for errors and anomalies that could delay settlement of a transaction.

Technology in forex markets has come a long way from its beginning in the 1970s when Reuters offered a simple electronic feed of real time prices, clearing the way for its present dominant position in money market information systems.

Its latest products, launched in April, include a digital financial trading room system, Triarch 2000 and a colour video information switching system, Prism.

Reuters says that Triarch 2000 is a logical extension of the Trading Information Architecture it inherited when it bought Rich, the Chicago-based financial systems builder. Some 50 Triarch systems have been installed of a hybrid character comprising digital feeds, network-server based applications and video information.

Triarch 2000 is an open trading system built around Ethernet, one of the first and most popular local area networks (LANs). The LAN is a technology which makes possible the fast and accurate movement of large volumes of information around a limited area - a single trading room, perhaps, or suite of offices - at an economic cost.

Intelligent workstations such as the IBM-compatible Reuter Intelligent Workstation (RIW) or workstations from Sun Microsystems and Digital Equipment can be attached to the network along with "application servers" - computers running specialised dealing programs.

The RIW controls from a single keyboard up to five screens - a high resolution main display and four side screens each of which can be divided into three separate zones.

According to Reuter, Triarch 2000 has already secured several significant sales in Europe and Asia, chiefly to major forex trading operations.

If the automation of the supply of price information and of deal confirmation are critical to efficient forex operations, then so is automated position keeping and, by implication, risk management.

Mr David Lincoln, a director of Forex Advisory Services, a London-based company which had developed a well-regarded integrated dealer support system, argues that if City institutions are serious about participating in

a 24-hour money market, then the integration of front and back office systems is essential.

He says: "At present, most banks seem content to rely on snapshots taken at the traditional close of business to assess their overall exposure. Anyone needing to know the true state of play after 5pm will rarely find this data in their back office system. But if the all-day market becomes a reality, this blindspot in the trading operation could easily turn into a major impediment."

FAS carried out a survey recently which showed that forex and money market dealers were handling on average twice the volume of last year but that only 20 per cent of City institutions had automated their treasury deal capture and position keeping procedures. "A growing number of deals are still being scribbled by hand on a slip and then rekeyed into an accounts system by back office clerks" bemoans Mr Lincoln.

The survey also revealed the payoff from automation. Companies using automated deal capture needed on average 20 per cent fewer positions than those operating a manual system.

FAS has already sold its integrated system to the London branches of three major Japanese securities houses - Nikko Bank, Yamaichi Bank and Nomura International Finance. It has also secured a contract to install its system in all major financial centres where Banque National de Paris has a presence.

What are the principal trends for the future? Video data feeds seem set for a long life. A survey carried out by Logica, the UK computing services company, for Datacorp, a provider of information distribution systems, indicates that while digital feeds are becoming increasingly important, few organisations expect to go purely digital within the next five years and there is still a market for video switches among the smaller companies who cannot justify the expense of digital feeds.

The consensus seemed to be that digital feeds only become cost-effective above 30-40 positions. Colour, however, was seen as important and desirable because it effectively highlights important information while reducing stress on the dealer.

Dealers like friendly systems. The survey showed that a dislike of keyboards is still prevalent, that touch screens are poor ergonomically and prone to error and that most dealers prefer graphics tablets.

The survey was, perhaps, at its most revealing on the integration of the front and back office. While senior managers understood the importance of greater efficiency, few had concrete plans to link front and back offices.

"Most respondents expected a hostile reaction to direct deal capture from the dealers. Organisations are reluctant to press the dealers to accept change".

New from Citibank this month is a system for low value (less than £150,000) forex trades which effectively puts the customer, via a personal computer and telecommunications link, in the dealing room. The danger is that a bank might process a large number of small forex deals leading to serious exposure; the secret is in the controls built in which Citibank officials believe give them greater control than normal dealing methods. According to Cash Management News, the Citibank system is the first of many.

Alan Caine



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FOREIGN EXCHANGE 6

FT writers review the latest developments in the world's major trading centres

Return of the large private player

SIMON HOLBERTON in London. LONDON LIKES to think of itself as the major player in the global foreign exchange business - and it is.

past six months or so; the increasing Japanese presence in the market; the emergence of the "private" currency trader; and the growing sophistication of the investment fund manager.

market. That in turn engendered a note of caution in the operation of trading rooms that had been missing when, at the end of December, there seemed to be no limit to the money that could be made by "shorting" the dollar.

role of the Japanese. Not only are their securities houses in London important institutions in the market, but there has been a pick-up in Tokyo-London trading.

charge of the Far East, for example, took the currency risk as well as the decision to invest in equities or bonds.

Low post-crash volumes the major problem

JANET RUSH in New York. ONE OF the major issues facing America's stock and futures exchanges is the prospect of stiff competition from their counterparts abroad.

information. Dealing technology is highly sophisticated. The foreign exchange market is already global, trading seamlessly across national borders and time zones.

volume. There have been two main developments. The first was the 1985 Plaza agreement by the central banks of the Group of Seven, to force down the value of the dollar and, subsequently, stabilise it.

makes a difference between a good quarter and a lacklustre quarter on a currency trading desk," he said.

is the increasing use by corporations of investment banks for their foreign exchange needs as well as commercial banks.

Trading likely to rise by a quarter this year

JAMES ANDREWS in Tokyo. TOKYO IS now as big a foreign exchange market as New York, and has long left Frankfurt far behind.

foreign-exchange market in Asia. Exchange controls had finally been lifted in Japan in 1980; but in the six years between then and 1985, average daily trading volume rose only gradually from \$6.2bn to \$17.5bn.

The second had required banks to deal with each other through one of eight authorised foreign-exchange brokers. These changes transformed the market, because they widened the pool of players and deepened its liquidity.

ing assets overseas. The Plaza agreement of 1985, to devalue the dollar against the yen and the other currencies of the United States' major trading partners, also helped to boost the Tokyo foreign exchange market.

existing dollar-denominated assets to buy more of the same, but use their yen increasingly to buy D-mark, sterling and Swiss franc-denominated assets.

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Richard Hill: 'when you make a profit, it's the best job in the world'

The trader's day A sterling drama at the money theatre

IT HAD been a hard day's morning. By 11am the foreign exchange dealing room of Barclays Bank in the City of London, had been swarming like a beehive in a frenzy for more than three hours.

able. At times it can be languid with little to fire dealers into buying and selling. Sometimes, like today, it can be frantic, and Hill is only able to snatch conversations or a bite to eat.

but are short, heavily abbreviated and often consist of just two numbers - the bid and offer price of a transaction. Jackets rest on the backs of chairs, sleeves are rolled up and ties are at half mast.

Ralph Atkins

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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Friday July 15 1988

We set more wheels in motion R J HOARE Leasing Limited

La Fondiaria in link talks with UK insurance group

BY ALAN FRIEDMAN IN MILAN AND NICK BUNKER IN LONDON

LA FONDIARIA, Italy's third biggest insurance group, is in talks with Britain's Royal Insurance about a possible joint venture...

Officials at Royal Insurance in London were plainly embarrassed by the disclosure yesterday, but said that Royal was not in a position to make any announcement...



Robert Goldmetz: expects 1988 to be a year of strong growth

Coca Cola posts 13% increase

By James Buchan in New York

COCA-COLA, the world's largest soft drinks company, yesterday reported a 13.8 per cent increase in net income...

Hewlett files Apple countersuit

BY LOUISE KEHOE IN SAN FRANCISCO

HEWLETT-PACKARD has filed a countersuit against Apple Computer charging that the personal computer manufacturer has used fraud and bribery in an attempt to maintain an illegal monopoly with its Macintosh personal computer...

Microsoft programs are copies of displays used on the Apple Macintosh personal computer. HP and Microsoft both deny any copyright infringement.

According to HP, Apple also deliberately misrepresented the similarities between Macintosh displays and those produced by HP's "NewWave" graphical interface.

Plessey in \$310m US defence deal

BY HUGO DIXON

PLESSEY, the UK electronics company, is paying \$310m (£185m) to buy the Electronic Systems Division of Singer, the US military electronics group.

Mr Bilzerian has now sold businesses which represented 1.2bn of Singer's 1987 revenues of \$1.9bn including deal signed but not yet announced, he has raised about 1.5bn compared with the \$1.06bn he originally paid.

year of \$20.6m on turnover of \$166m. Its internal projections are for profits of more than \$30m on turnover of \$300m in 1988.

Solid profits at US banks

BY ANATOLE KALETSKY IN NEW YORK

SEVERAL OF the leading US bank groups reported solid profits in the second quarter, after the huge losses they suffered on their Third World lending in the same period of last year.

Chemical said the improvement since last year reflected higher net interest income, fees for trust and other banking services, gains on venture capital activities and bond trading profits.

Shareholders' equity came to 4.36 per cent of Security Pacific's \$75.6bn assets. Security Pacific said it had sold \$300m worth of Third World loans and converted others into equity, reducing its total LDC exposure by \$600m in the last three months to around \$1.4bn.

Motorola jumps by 50% to \$120m

BY OUR NEW YORK STAFF

MOTOROLA, the Chicago-based electronics and communications company which is America's biggest manufacturer of semiconductors, reported a 50 per cent jump in earnings and a 27 per cent advance in sales in the second quarter.

Motorola earned \$120m or 93 cents a share in the second quarter, compared with \$80m or 62 cents the year before.

AN IMPORTANT step toward a compromise in the long-running struggle for control of Gucci, the luxury Italian shoes and fashion accessories company, was achieved last night.

First Boston ahead at \$43.7m

FIRST BOSTON, the Wall Street investment bank, reported net income of \$43.7m or \$1.20 a share in the second quarter, writes Anatole Kalatsky. The results were much better than the \$33.2m or 92 cent loss announced a year earlier, following big losses in its bond trading business.

Total expenses in the latest quarter were \$307.6m, compared with \$222.4m in the second quarter of 1987 and \$268.3m in the first quarter of this year.

Over the first half of the year, earnings increased 13.7 per cent to \$513.8m on a 14.5 per cent rise in sales to \$4.18bn and a 7 per cent advance in soft drinks volume.

Bid threat to York buyout

By Andrew Baxter in London

THE PLANNED \$750m buyout agreement at York International, the US air conditioning and refrigeration equipment group, was in the balance last night following a counter-bid from SnyderGeneral, a private air conditioning concern.

MCI buys back its shares held by IBM

BY JAMES BUCHAN IN NEW YORK

MCI THE telecommunications company that broke AT&T's hold on the long-distance telephone market, is buying out IBM's 16 per cent holding of its stock amid growing evidence that it is poised for a strong improvement in its business.

MGM's new lion shoots for the top

Raymond Snoddy analyses the philosophy of the new president at a famous Hollywood film studio

FILM PRODUCER Mr Jon Peters has not spent much time settling into his new office as president and chief operating officer of MGM, the Hollywood studios with the famous past and the roaring lion trademark.

The deal, which values each IBM share of MCI at \$14.40, comes amid growing Wall Street enthusiasm for MCI's prospects.

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INTERNATIONAL COMPANIES AND FINANCE

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**CITICORP INVESTMENT BANK**

**Roche lifts sales by 10% in first half**

By John Wicks in Zurich

HOFFMANN-La Roche, the Swiss chemicals and pharmaceuticals concern, yesterday reported a 10 per cent increase in group sales for the first half of this year to SF4.18bn (\$2.7bn). In terms of local currencies, turnover improved by some 16 per cent over the corresponding period of last year.

The Basle parent company says it expects this "positive development" to continue in the second half with what it calls a gratifying operational result for the year as a whole. The non-operational financial sector is also seen as likely to contribute to a "further increase in profits."

In calendar 1987, group earnings had gone up 15.9 per cent to a record SF952m despite a 1.5 per cent drop in turnover to SF7.7bn.

In terms of Swiss francs, pharmaceutical sales improved by 12 per cent in the first six months to SF1.67bn and vitamins and fine chemicals by 7 per cent to SF1.08bn of the overall turnover.

Elsewhere, sales of fragrances and flavours rose by 5 per cent to SF483m, diagnostics by 13 per cent to SF479m and agricultural and miscellaneous products by as much as 36 per cent to SF202m. The instruments division shows almost unaltered turnover of SF254m.

Roche recently announced the acquisition of Medical Laboratories Associated, a Birmingham, Alabama, clinical laboratories concern, at an undisclosed price. It operates 24 clinical laboratories in the southern states of the US, employing some 900 people.

**Paul Betts on the aftermath of a deal struck by the French group**  
**Uneasy truce reigns at LVMH**

AN UNEASY status quo reigns at the house of LVMH following the armistice last week between the Louis Vuitton and Moët-Hennessy camps which constitute the leading French luxury goods group.

In the short term, the financial deal struck at the end of last week bringing Mr Bernard Arnault, chairman of Financière Agache, in association with Guinness as major new shareholders has strengthened the company's shareholding structure and acted as an acceptable compromise for the two LVMH parties.

But in the longer term, it has so far not settled the fundamental differences in management strategy which surfaced suddenly and violently during the last few weeks between Mr Henry Racamier, who heads the Vuitton camp - the single biggest shareholders in LVMH with 30 per cent of the voting rights - and Mr Alain Chevalier, the head of the Moët-Hennessy side and chairman of LVMH.

Mr Racamier said yesterday: "Everything has gone so quickly that we have not yet worked out what will happen to the group now. But it clearly won't be the same as before. It is the end of an epoch."

The continuing heavy activity in LVMH shares this week also creates expectations of further changes and developments in the future.

For Mr Racamier, the affair started at the end of May when there was sudden heavy buying of LVMH shares on the market and speculation of a possible hostile takeover bid in the air.

"These share movements worried us and we decided to reinforce the Vuitton family holding's stake in LVMH with additional purchases. But we informed Mr Chevalier of what we were doing," he said.

At the same time, Mr Chevalier suggested that Guinness, already a major distribution and marketing partner with LVMH's wine and spirits businesses, might acquire 2 per cent of LVMH's capital with the French group acquiring a similar stake in the UK drinks group.

But at a board meeting on June 9, Mr Chevalier disclosed a plan whereby Guinness would acquire a 20 per cent stake in LVMH with the French group taking a similar stake in Guinness.

Mr Racamier immediately opposed this since he felt that it

would enable Guinness in a few years to become the biggest shareholder in LVMH. "I had no objections to Guinness buying a moderate stake in the company but not as much as 20 per cent," he said.

Mr Racamier added: "The original Guinness plan suddenly opened our eyes." Vuitton started worrying, he said, about the increasing weight of the wine and spirits operations in the conglomerate. "It was always my idea to see LVMH develop as a diversified luxury products group and not into a new Seagram," Mr Racamier said.

He acknowledged that when the Vuitton and Moët-Hennessy groups merged last year, he had not fully realised the fundamental differences in cultures between the two sides.

Although relations between the two sides had been good, a grow-

ing sense of frustration and irritation started developing at Vuitton, which felt the Moët-Hennessy camp were slowly trying to dominate the management of the group. Although in terms of turnover Moët-Hennessy is larger than Vuitton, Mr Racamier's operations have been making a bigger and bigger contribution to the group's overall earnings.

At the same time, Mr Racamier says the prospects of future growth and development are more promising in the luxury products side of LVMH than in wine and spirits, which has increasingly become a mature volume business.

Making the situation even more complex was the fact that the Vuitton family represented a far bigger and more united shareholder block with 30 per cent of the voting rights and about 23 per cent of the shares while the Moët-Hennessy family shares amounting for 13 per cent of the shares and about 15 per cent of the voting rights were dispersed in several hands.

After blocking the original Guinness plan, Mr Racamier was

asked by Mr Chevalier to propose an alternative solution. Mr Racamier considered Guinness to be a more moderate shareholder than 20 per cent and got in touch with Mr Arnault who fitted in with Mr Racamier's conception of the luxury business.

"He was French, he ran a group with a family structure a bit like ours and he was also in the luxury business with the Christian Dior, Celine and Christian Lacroix fashion houses," Mr Racamier said. There was also the possibility of linking the Dior fashion house with Dior perfumes owned by LVMH which Mr Racamier had already discussed in a superficial way with the 29-year-old Mr Arnault.

Mr Racamier said his advice was to propose that Mr Arnault's group make a friendly bid for a large minority stake in LVMH. But Mr Chevalier did not agree, fearing this risked provoking a hostile counter bid.

Finally, after several days of great agitation, Mr Arnault and Chevalier struck the deal giving Arnault and Guinness 23 per cent of LVMH held through a subsidiary of Agache. Mr Arnault's group

The subsidiary will be 80 per cent controlled by Agache and 20 per cent controlled by Guinness, making the UK drinks group an indirect shareholder in LVMH. In turn, LVMH will acquire for about FF600m (\$67m) a 10 per cent stake in Guinness.

The deal restored the balance between the LVMH wine and spirits lobby and the Vuitton camp. But Mr Racamier still wonders whether it was necessary for LVMH to invest as much as FF600m in a 10 per cent Guinness stake, suggesting that the money could perhaps have been kept for important acquisitions in other luxury goods sectors.

Thus, although a truce has been signed, the fundamental strategic problems of LVMH remain wide open. The ambitious Mr Arnault also has to be accommodated. Already he intends to build up his stake to 30 per cent, or perhaps more.

Mr Arnault will clearly want board representation and is unlikely to be content with playing a background role in the group, and Mr Chevalier will have to display all his diplomatic and managerial talents to meet through the coming difficult months at LVMH.



Henry Racamier: "It is the end of an epoch"



Alain Chevalier: "Guinness plan opened our eyes"

**Thyssen hints at raising dividend**

By David Marsh in Bonn

THYSSEN, the West German steel and engineering group, has held out a strong hint of a dividend increase for the current year after a substantial increase in profits during the first three quarters.

Although Thyssen gave no earnings figures, it said group profits for the first nine months of the year ended on September 30 were "much improved" with sales up 8 per cent to DM21.2bn (\$11.5bn).

"This favourable trend in results will have an effect on the executive board's dividend proposal for 1988."

For 1988-87, the company paid a DM5 dividend per DM40 nominal share. Net profit last year was DM602m on turnover of DM26.6bn.

Thyssen said extension of the consolidated group, partly due to new accounting procedures, provided one of the reasons behind the turnover increase.

**Asko surges ahead with 144% rise in sales**

BY HAIG SIMONIAN IN FRANKFURT

GROUP SALES at Asko, the West German discount retailer which owns 49.9 per cent of the Massa discount chain, rose by 144 per cent to DM3.9bn (\$2bn) last year. Turnover increased to DM10.1bn from about DM5bn in 1986 if Asko's 40 per cent share in SDC/Furrs, a US retailing group, is proportionately included. After-tax profits jumped to DM140m from DM27m in 1986. Excluding extraordinary items, after-tax earnings rose to DM85m. However, the company's dividend of DM0.10 for ordinary shares and DM11.50 for preference shares remains unchanged.

Mr Helmut Wagner, chief executive, said the group intended to raise the dividend next year

**Ask for 144% rise in sales**

although he gave no indication of the size of the planned increase. Asko shares, which have recently risen noticeably in anticipation of the results, climbed DM16 to DM350 in Frankfurt yesterday.

Mr Wagner predicted group sales for 1988 should reach some DM15bn, including Massa, while after-tax profits for 1988 were set to rise to DM120m. Group sales in the first half of this year, excluding Massa and SDC/Furrs, rose 10 per cent to DM4.5bn against the same period last year, he said.

The bulk of last year's sales boost came from the consolidation of Schaper, the group of chain stores in which Asko owns a majority stake.

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MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, Trustee

**WOOLWICH EQUITABLE BUILDING SOCIETY**

£200,000,000  
Floating Rate Loan Notes  
Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from (and including) 15th July, 1988 to (but excluding) 15th October, 1988 the Notes will carry a rate of interest of 10 3/4% per annum, plus the 30-day LIBOR rate, from and including July 15, 1988 to (but excluding) October 15, 1988. The Coupon Amount per £100,000 will be £22.36 and per £100,000 will be £2,823.63, payable against surrender of Coupons.

Hambros Bank Limited  
Agent Bank

**EUROACTIVIDADE AG, Vaduz**

Invitation to the extraordinary General Meeting

The Shareholders of Euroactividade AG, Vaduz, are hereby convened to attend the extraordinary General Meeting which will be held on

**Friday August 5th, 1988 at 10.30 a.m.**

in the Hotel Savoy, Zurich with the following agenda:

**Agenda**

1. Authorization of the Board of Directors to increase the share capital of Sfr. 55,880,000 - up to the maximum amount of Sfr. 75,880,000 - in exclusion of the stock subscription rights of the present shareholders. The new shares serve mainly for the planned convertible bond of Sfr. 45,000,000.
2. Alteration in the Board of Directors.
3. Varia.

The Shareholders who wish to attend the extraordinary General Meeting or wish to be represented by another shareholder can get their entry card either at their depository bank until July 29th, 1988 or directly at Fides, Elisabethenstrasse 15, 4051 Basel, against presentation of a bank certificate stating that their shares are blocked.

Zurich, July 15, 1988

On behalf of the Board of Directors:  
The President: Klaus H. Moeller

This announcement appears as a matter of record only.

**SKIPSKREDITT FORENINGEN**

**U.S. \$17,500,000**  
**Term Loan Facility**

Arranged by  
**Hambros Bank Limited**

Manager  
**SKOPBANK**

Co-Managers

Banco Totta & Açores  
Istituto Bancario San Paolo di Torino  
Hambros Bank Limited

Banque Louis-Dreyfus  
Spartanbank Skåne  
Bohusbanken

Agent  
**Hambros Bank Limited**

July, 1988

US\$200,000,000 Guaranteed Floating Rate Notes  
Repayable at the Option of the Holder of par Commencing October 1982

**Citicorp Overseas Finance Corporation N.V.**  
(Incorporated with limited liability in the Netherlands Antilles)  
Unconditionally guaranteed by  
**CITICORP**

Notice is hereby given that the Rate of Interest has been fixed at 8.0425% and that the interest payable on the relevant Interest Payment Date, October 17, 1988 against Coupon No. 34 in respect of US\$10,000 nominal of the Notes will be US\$210.52.

July 15, 1988, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

**Tenneco Inc**  
HOUSTON, TEXAS

1988  
In 1988 42nd  
anniversary  
year of cash  
dividend  
payments

The 1988 third quarter dividend of 76¢ per share on the Common Stock will be paid September 13 to shareholders of record on August 12. About 170,000 stockholders will share in our earnings.

Karl A. Stewart, Secretary

**U.S. \$125,000,000**  
**Alaska Housing Finance Corporation**  
Floating Rate Notes Due July 2001

Notice is hereby given that the Rate of Interest has been fixed at 8.575% p.a. and that the interest payable, for the current interest period July 15, 1988 to January 17, 1989 on the relevant Interest Payment Date January 17, 1989 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$441.10

July 15, 1988, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

INTERNATIONAL COMPANIES AND FINANCE

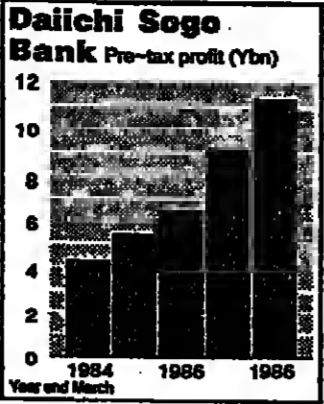
Stefan Wagstyl in Tokyo reports on the Daiichi Sogo Bank affair

A frustrating test of MoF's banking control

EARLIER this year a man rammed a dumper truck full of rocks into Daiichi Sogo Bank's main branch in Tokyo in a vain protest at the bank's lending to speculative property developers.

Now, officials of the Japanese Ministry of Finance are banging at the bank's doors in an equally frustrating attempt to discipline Daiichi Sogo, a medium-sized mutual bank, for allegedly breaking ministerial rules on bank lending.

The affair highlights the limits to the legendary ability of the Japanese Ministry of Finance to control the activities of the country's financial community. Mr Chihiro Kobayashi, the bank's aggressive chairman, has publicly apologised for its involvement in funding unsavoury property deals. But he is resisting pressure for his resignation - in an unprecedented challenge to the ministry's authority.



than the official limit on the size of Daiichi's loans to any single customer. These limits are set by the ministry in relation to a bank's capital.

Mr Kobayashi's main defence is that the ministry has yet to charge the bank officially with any offence under the Banking Law, under which banks are regulated. Moreover, he can point to Daiichi Sogo's sparkling performance - increasing pre-tax profits by 23 per cent to ¥11.4bn in the year to March. Daiichi has a reputation for having the best operating margins of any sogo (mutual) bank.

There are parallels between the Daiichi Sogo affair and the case of Heiwa Sogo, which had to be taken over in 1986 by Sumitomo Bank, one of Japan's largest banks, under the direction of the Ministry of Finance. In each case, the ministry intervened after the bank's management came under heavy criticism.

Hindustan Motors pushed into the red

By R.C. Murthy in Bombay

COMPETITION IN the Indian car market pushed Hindustan Motors, part of the Birla industrial group, into a loss of Rs25.9m (\$1.95m) in the year to March against a profit of Rs28.8m a year earlier.

Relaxations in import regulations and increased local production by Indo-Japanese ventures put pressure on profit margins of the Calcutta-based company headed by Mr C.K. Birla. Sales rose 15 per cent to Rs4.3bn but operating profit slipped to Rs26.5m from Rs28.8m.

U.S. \$30,000,000

**ZENTRALSPARKASSE UND KOMMERZIALBANK WIEN**  
Floating Rate Subordinated Notes Due 1991

Interest Rate **8 1/16%** per annum  
Interest Period 15th July 1988 to 17th January 1989  
Interest Amount per U.S. \$5,000 Note due 17th January 1989 **U.S. \$224.43**

Credit Suisse First Boston Limited  
Agent Bank

**Nationwide Anglia Building Society**

**£100,000,000**  
Floating Rate Notes Due 1998  
(Issued by Anglia Building Society)  
Notice is hereby given that the Notes will bear interest at 10 1/16% per annum from 14 July 1988 to 14 October, 1988.  
Interest payable on 14 October, 1988 will amount to £131.18 per £5,000 Note and £6,559.08 per £250,000 Note.  
Agent Bank: Morgan Guaranty Trust Company of New York London

**Wells Fargo & Company**  
U.S. \$100,000,000

Floating Rate Subordinated Notes due July 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 15th July, 1988 to 17th October, 1988 the Notes will carry an interest rate of 8 1/16% per annum. Interest payable on the relevant interest payment date 17th October, 1988 will amount to US\$20.31 per US\$10,000 Note and US\$1,011.56 per US\$50,000 Note.  
Agent Bank: Morgan Guaranty Trust Company of New York London

**U.S. \$75,000,000**  
**The Bank of New York Overseas Finance N.V.**  
(Incorporated with limited liability in the Netherlands Antilles)  
Guaranteed Floating Rate Subordinated Notes due January 1996  
Unconditionally Guaranteed, on a Subordinated Basis, as to Payment of Principal and Interest by The Bank of New York Company, Inc. (Incorporated in New York, USA)  
Notice is hereby given that the Rate of Interest has been fixed at 8.25% p.a. and that the interest payable on the relevant interest Payment Date, October 17, 1988, against Coupon No. 19 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$215.42.  
July 15, 1988, London  
By: Citibank, N.A. (CSSI Dept.), Reference Agent **CITIBANK**

Furukawa Electric tops expectations

**FURUKAWA ELECTRIC**, the Japanese wire and cable maker which has a superconductivity tie-up with Oxford Instruments of the UK, lifted group net profit 23.1 per cent in the year to March to ¥14.46bn (\$1.09m) from ¥11.75bn.

Xenel plans first Saudi aluminium smelter

By Robin Allen in Dubai

SAUDI ARABIA'S Xenel Industries, a leading diversified group owned by the Al Reza family of Jeddah, is spearheading plans to build a \$750m aluminium smelter - the kingdom's first - at Yanbu industrial city on the Red Sea coast.

World prices for three-month delivery are over \$3,000 a tonne and this, together with the prospect of consistently high world demand, has encouraged Gulf states to exploit their access to cheap natural gas.

and Yanbu, the landlord, on terms for a site. The commission's secretary-general, Prince Abdullah Bin Faisal Bin Turki Al-Saud, last week welcomed the initiative. He said the commission was very happy to have attracted this investment, the more so since Yanbu had for a time taken longer to attract private investors than its sister city on the Gulf.

Two separate industrial ventures include plans by Riyadh-based National Industrialisation Company, a semi-state holding company, to build a \$30m steel foundry at Dammam on the east coast with a 50 per cent loan from the Saudi Industrial Development Fund.

This announcement appears as a matter of record only.

New Issue 14th July, 1988

**PKBANKEN**  
(Incorporated in the Kingdom of Sweden)

U.S. \$50,000,000  
9 1/4 per cent. Notes 1993  
Issue Price 101 1/4 per cent.

Yamaichi International (Europe) Limited  
Norinchukin International Limited PKbanken

This announcement appears as a matter of record only.

New Issue 14th July, 1988

**Bergen Bank A/S**  
(Incorporated in the Kingdom of Norway with limited liability)

U.S. \$50,000,000  
9 1/4 per cent. Notes Due 1993  
Issue Price 101 1/4 per cent.

Yamaichi International (Europe) Limited  
Bergen Bank A/S Taiheiyo Europe Limited



These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

14th July, 1988



MUTOW CO. LTD.

U.S.\$50,000,000

4 1/4 per cent. Guaranteed Bonds 1993 with Warrants

to subscribe for shares of common stock of Mutow Co., Ltd. The Bonds will be unconditionally and irrevocably guaranteed by

The Fuji Bank, Limited

Issue Price 100 per cent.

- Nomura International Limited, Fuji International Finance Limited, New Japan Securities Europe Limited, J. Henry Schroder Wagg & Co. Limited, Shizuoka Finance (H.K.) Limited, Sanyo International Limited, Barclays de Zoete Wedd Limited, Baring Brothers & Co., Limited, Credit Suisse First Boston Limited, Daiwa Bank (Capital Management) Limited, Robert Fleming & Co. Limited, Merrill Lynch International & Co., Morgan Stanley International, SBCI Swiss Bank Corporation, Société Générale, Tokai International Limited, Wako International (Europe) Limited, Yamaichi International (Europe) Limited

INTERNATIONAL CAPITAL MARKETS

RHM to launch CP programme for £150m

By Stephen Fidler, Euromarkets Correspondent RANKS HOVIS MacDonnell, the British bakery and food group for which the Australian food group Goodman Fielder...

Higher primes unsettle prices across the board

BY DOMINIQUE JACKSON

A MOVE by the major US banks to raise prime lending rates to 9 1/2 per cent from 9 per cent...

INTERNATIONAL BONDS

BHF plans to raise DM142m

BY OUR FINANCIAL STAFF

BEELINER Handels- und Frankfurter Bank (BHF), the West German merchant bank, plans to raise DM142m (\$77.2m) through a rights issue of DM200 a share.

Finland plans tough insider trading law

By Our Financial Staff

FINLAND is planning its first law on insider trading and has proposed in a new bill that offenders could be imprisoned for up to 12 months.

The Helsinki Stock Exchange has so far policed itself but the growth of the market and of international participation...

Mr Matti Louhevaara, the Justice Minister, said with the growth of the stock market, insider trading is felt to be an increasingly significant problem which has to be dealt with through legislation.

US banker calls for 50% margin levels

A PARTNER in Lazard Freres and Company, the Wall Street investment bank, yesterday urged uniform margin levels for options, futures and stocks...

In written testimony prepared for the House Subcommittee on Telecommunications and Finance, Mr Felix Rohatyn said curbing speculation and promoting investment should be the objective of market reform...

Corrections DSM profits

DSM, the Dutch state-owned chemicals group, has been in profit for many years. Tuesday's article wrongly implied that its FI 422m net profit for 1987 brought a run of recent losses to an end.

Saudi NCB

NATIONAL COMMERCIAL Bank of Saudi Arabia, which announced zero net profits for the year to last August, made SR79.98m (\$21.5m) the previous year rather than SR779.9m as reported in the Financial Times of June 27.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Country, Issue, Maturity, Yield, and Price. Includes sections for US Dollar, Swiss Franc, and Convertible bonds.

All these securities having been sold, this announcement appears as a matter of record only.



ARABIAN OIL COMPANY, LTD.

U.S. \$100,000,000

4 PER CENT. GUARANTEED BONDS DUE 1993

WITH WARRANTS

TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF ARABIAN OIL COMPANY, LTD. THE BONDS WILL BE UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

The Industrial Bank of Japan, Limited

ISSUE PRICE 100 PER CENT.

- The Nikko Securities Co., (Europe) Ltd., Nomura International (Hong Kong) Limited, IBJ Asia Limited, Jardine Fleming (Securities) Limited, Morgan Stanley Asia Limited, Sanwa International Finance Limited, Schroders Asia Limited, Sumitomo Finance (Asia) Limited, Yamaichi International (H.K.) Limited, ANZ Securities Asia Limited, Baring Brothers & Co., Limited, Daiwa Securities (H.K.) Limited, KOKUSAI Securities (Hong Kong) Limited, Morgan Grenfell Securities Limited, Nippon Credit International (HK) Ltd., Taiyo Kobe Finance HongKong Limited, WestLB Securities Pacific Limited, HongKong

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UK COMPANY NEWS

UniChem fails to daunt AAH

BY ANDREW HILL

AAH Holdings seems to be suffering less than Macarthy, a competing wholesale pharmaceutical distributor...

Most observers seem to think the OFT decision on the UniChem share incentive scheme will broadly favour the co-operative's vendors competitors...

Owners Abroad £12.7m rights

BY VANESSA HOULDER

Owners Abroad, tour operator and airline seat broker, yesterday announced pre-tax operating losses increased from £3.58m to £5.93m in the six months to April 30...

last year, reduced their winter operating losses by £742,000 to £1.98m. Tjereborg, an associated company, had a better-than-expected winter season and produced a loss attributable to the group of £572,000.

Swiss lift stake in Unitech via £50m deal

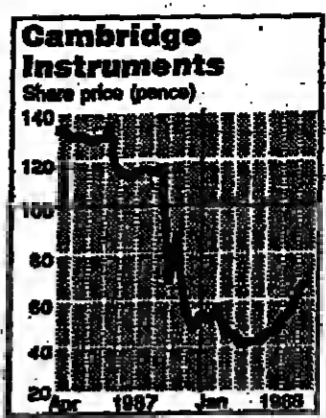
By Hugo Dixon

Unitech, the electronic components manufacturer and distributor, is planning to place 16.7m new shares with Elektrowatt, the Swiss energy and electronics company, in a deal worth £50m.

Delayed orders behind 50% fall at Cambridge Instrument

BY CLARE PEARSON

PRE-TAX profits of Cambridge Instrument, the scientific equipment concern which rejoined the stock market in April 1987 after nearly a 20-year absence, fell by more than 50 per cent to £3.48m in the year to March 31.



discontinuing an electron beam lithography system. Tax took £455,000 (£1.53m). At the end of the year, Cambridge's debt-to-equity ratio was 29 per cent and the company says it has adequate working capital and unused borrowing facilities for the next few years.

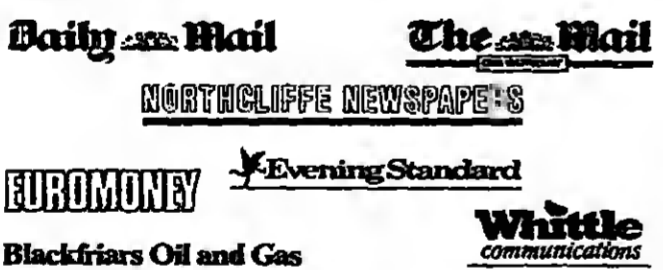
Associated Newspapers Holdings p.l.c.

INTERIM RESULTS FOR THE HALF-YEAR ENDED 31st MARCH 1988

Table with 3 columns: (Unaudited), 1988, 1987. Rows include Turnover, Profit before Exceptional Items, Exceptional Profits, Redundancy and Development, Profit before taxation, Earnings per share, Dividend per share.

Profit before Exceptional Items up by 21% Significant circulation increase at Mail on Sunday. Continued strength in advertising revenue. Further growth of US operations.

Relocation of the Group's London based newspapers has advanced in line with planned programmes. Redundancy and development costs are charged as exceptional items.



Copies of the full interim statement may be obtained from the Secretary, Associated Newspapers Holdings p.l.c., New Canaille House, Canaille Street, London EC4Y 0JA.

BOC makes £39m US purchase

By Clay Harris

BOC Group, industrial gases producer, is to pay \$68.5m (£39m) for the vacuum products division of Varian Associates, the California high technology group.

Owners Abroad £12.7m rights

last year, reduced their winter operating losses by £742,000 to £1.98m. Tjereborg, an associated company, had a better-than-expected winter season and produced a loss attributable to the group of £572,000.

Brunning plans worldwide link

Brunning Group, advertising and marketing company, reported pre-tax profits for the year to the end of March 1988, following two years of losses and announced expansion plans including a joint venture to develop a worldwide network of agencies and a rights issue.

On turnover up at £66.52m (£64.17m) pre-tax profit was £573,000, against a loss last time of £283,000. Stated earnings per share were 16.6p (12p) and an unchanged final 2.5p is being proposed for a total dividend of 3.7p.

Barbour Index climbs 26%

In the first full year on the main market since its flotation in February 1987, Barbour Index, Windermere-based supplier of specialist information services to the construction and health and safety markets, lifted pre-tax profits by 26 per cent to £2.14m.

On turnover up at £56.52m (£54.17m) pre-tax profit was £573,000, against a loss last time of £283,000. Stated earnings per share were 16.6p (12p) and an unchanged final 2.5p is being proposed for a total dividend of 3.7p.

Savills for market with £44m price tag

By Paul Chesseright, Property Correspondent

Shares in Savills, a chartered surveyor, will be traded from next Thursday. Yesterday morning 9.6m shares were placed to give the company a market capitalisation of £44.3m.

Jones Stroud advances 29%

Jones, Stroud (Holdings), maker of textiles and electrical machinery, reported pre-tax profits up 29 per cent to £5.95m on turnover ahead from £45.33m to £59.16m for the year to end March 1988.

Full quote for Chancery

BY GRAHAM DILLER

Mr HARVEY COHEN, chairman of Chancery Securities, USM-quoted merchant banking and financial services group, yesterday confirmed that it was planning to apply for a full listing.

Ratners ADRs quoted in US

By Maggie Urry

Ratners Group, fast growing jewellery retailer, has set up an American depositary receipt programme in the US. The ADRs are quoted on the Nasdaq system.

Tinsley 43% higher

Kilva Tinsley Group, USM quoted maker of agricultural machinery, raised pre-tax profits by 43 per cent to £11.1m for the year ended March 31 1988.

Win Ransom ahead

Despite only a small increase in turnover from £5.82m to £6.78m, Chalkley Ransom & Son, manufacturing chemist, raised pre-tax profits by 16 per cent to £224,000 to £271,000 in the year to March 31 1988.

British Building rises

Pre-tax profits at British Building and Engineering Appliances rose from £160,000 to £215,000 in the year to end-March 1988. Turnover for the Bedfordshire-based non-mechanical building equipment and plant manufacturer and supplier was £3.71m (£4.17m).

THE SCOR GROUP

The Annual General Meeting of SCOR met on June 17, 1988, under the chairmanship of Patrick Peugeot to approve the fiscal 1987 financial statements for the parent company and the SCOR Group.

in the structure of the Group (against FRF 4.39 billion in 1986). All Group subsidiaries reported improved income performance. SCOR Re (USA) expanded its business and took advantage of favourable US conditions in 1987, reporting a 70% rise in net earnings to US\$ 17 million (representing an after-tax return on shareholders' equity of over 17%).

to its reinsurance portfolio and focusing on areas in which the company enjoys special expertise, profit margins increased in 1987. The Board of Directors has decided to increase the share capital by FRF 250 million by issuing 2,500,000 shares.

SCOR Group Consolidated premiums were up 9.1% to FRF 4.44 billion, after adjusting for currency fluctuations and changes

SCOR L'assureur des assureurs.

Asea Brown Boveri AB (Sweden)

has made a public offer for the outstanding shares of Flakt AB and has as per end of June 1988 a holding of 97%.

The undersigned acted as financial advisor and acted as dealer-manager for the transaction.

AROS SECURITIES Nybrokajen 15, S-111 48 Stockholm, Sweden. Phone: +46 8 723 46 00. Member of the Asea Brown Boveri Group

JPL/col/50

UK COMPANY NEWS

Xerox expansion pushes Rank profits to £105m

By David Waller

A STRONG performance from the Rank Xerox copier business helped the Rank Organisation increase its pre-tax profits by £15.4m to £105.5m in the 26 weeks to May 14 this year. This 17 per cent advance at the pre-tax level was outpaced by a 25.5 per cent rise in the group's earnings per share, which - flattered by a lower tax rate - moved ahead from 22.9p to 28.4p. Rank Xerox, 49 per cent owned by Rank but over which the UK company exercises no management control whatsoever, chipped in £77.9m to pre-tax profits, against £60.4m in the previous first half. This was better than expected, reflecting booming conditions for Fuji Xerox in the Japanese market and only a marginally negative currency affect. Furthermore, Rank Xerox's effective tax rate fell by 7 per cent to 42.7 per cent, helping to cut the group's tax rate from 42 to 39.6 per cent. Portfolio of businesses managed by Rank - which include Butlins and Pinewood studios - generated trading profits up only slightly, from £28.7m to £28.6m. Turnover fell from £331.5m to £301.6m, mainly because of last summer's disposal of the Wings tour operator. Managed businesses were held back by a near-halving of profits in the precision industries operation, where the contribution fell from £2.7m to £1.8m. Rank's latest, large acquisitions - Albert and BHP Video - were included for only 10 weeks and 10 days respectively and their contribution was not disclosed. Mr Michael Gifford, chief executive, blamed the downturn in the industrial division on lower world demand for Taylor Hobson's metrology products, and on continuing problems for Strand Lighting in the US. He said that all the other divisions had done well and continued to do well, while Albert, the Yogi bear franchise operator bought for £180m in March, was "ahead of our expectations at the time we bought it". For the first time, Rank included the result from its holiday and leisure division in the first half figures. Weighted heavily to the second half, this division made £13.4m against £11.4m, and the prior year figure was adjusted accordingly. Film and television profits rose by £2m to £9.5m; hotels and catering from £4.1m to £4.3m; leisure development from £3m to £3.2m. Total capital expenditure for the period was £245m, of which £178m was spent on acquisitions. The interest bill went up from £4.5m to £7.8m. The interim dividend is increased from 7.25p to 8.5p. A. Kershaw & Sons, 82 per cent owned by Rank, reported interim pre-tax profits up from £1.7m to £2.15m. The dividend is lifted to 8p (4.75p). See Lex

NEI lifts stake in Hopkinsons

By Clive Pederson

Shares in Hopkinsons Holdings, valve maker, rose by 19p to 112p yesterday after Northern Engineering Industries increased its stake to 6.4 per cent. Mr Philip Thomas, company secretary, said the company had been aware since January that NEI held 3m shares. The recent purchase of an extra 1m shares took the holding above the 5 per cent disclosure level. He added that it would be illogical for NEI to try to take over the company as it was already a major customer of Hopkinsons. Mr Terry Harrison, NEI chairman, said: "We view our holding as a good trading investment." Hopkinsons' shares plummeted three months ago as the company announced a steep fall in pre-tax profits, from £9.14m to £1.56m, and a large write-off on factory closures in the year to January. In May, Mr Frederic Bentley resigned as chairman, and Mr Peter Frost succeeded him. NEI buys valves for power generators from Hopkinsons. Last year's profits fell as orders from another major customer, British Gas.

NMC expands into US market

By David Cohen

NMC Group, investment company turned packaging manufacturer, yesterday unwrapped its largest acquisition to date and its first foray into the US market with the purchase of Universal Packaging Corporation for an initial \$4m (£2.6m). An additional \$4m will be required, to settle UP's long-term debt, and a further maximum of \$26m - payable in 1993 - is profit-related. The acquisition and loan repayments will be financed partly by a £32.5m rights issue, of convertible preference shares and the balance out of a new \$60m loan facility with Citibank. Mr Norman Gordon, chief executive, said the acquisition put the group firmly into mainstream packaging, without sacrificing its higher-than-average profit margins. Shareholders are to be offered four 7.75 per cent convertible preference shares at 100p for every five ordinary shares or warrants held. They are convertible from 1991 at 152.2p, an 18 per cent premium to the market price on Wednesday. NMC shares added 1p yesterday to 130p. Separately, UPC senior management shareholders are to take part of their initial payment in the form of 450,000 convertibles. Analysts said the acquisition was likely to enhance earnings. UPC, part of Dart & Kraft until a management buy-out in 1984, is one of the major independent manufacturers of folding cartons in the US. In 1987 it made operating profits of \$9.7m on turnover of \$90.5m.

Computer People in US purchase

By Vanessa Houlder

Computer People, computer staff agency, is accelerating its move into the US computer services market with the acquisition of the US Professional Services Group, part of Sterling Software, for a maximum of \$14m (£8.2m). Mr Anthony Lambie, marketing director, said that the acquisition would greatly expand the company's business in the US, where it has been trading for 12 years. "The US has 50 per cent of the world's computer services, so to be a big player in the world you have to be a big player there," he said. "USPSG supplies contract programming services throughout the US, mainly to Fortune 500 companies. Acquired by Sterling Software in 1985, it suffered from the subsequent departure of senior management and in the year to September 1987 it incurred a loss of \$700,000 on turnover of \$22.5m. At that date it had net assets of \$3.5m. The initial payment is \$3.5m in cash, with additional payments depending on profits over the next two years. The acquisition will be partly financed by a £2m placing.

Wm Sindall £4.8m rights

By Vanessa Houlder

William Sindall, builder and property developer, yesterday announced a £4.8m rights issue to strengthen its balance sheet. The issue, which follows the £2.5m acquisition of the Oxford and Banbury-based builder Hinkins & Frewin Group earlier this month, will reduce the group's borrowings of £7.9m. The issue is on the basis of five 6.25 per cent convertible cumulative redeemable preference shares of £1 each for every six ordinary shares held. The directors, who hold 52 per cent of the company, plan to take up about 12 per cent of their share entitlement. The share price was unchanged after the announcement at 259p.

Dwek buy-out for £33.5m

By Andrew Hill

A NEW COMPANY formed by Mr Leon Dwek and fellow directors is to buy Dwek Group, the expanding leisurewear and furniture manufacturer, in a deal which values the company at £33.5m and takes it private. The offer by Hillshott, the vehicle for the buy-out, has been made at 150p per ordinary share, a 14.5 per cent premium to the suspension price of 131p. About 54.5 per cent of Dwek's share capital is already pledged to the deal. Mr Leon Dwek, formerly Dwek's joint managing director, will be Hillshott's chairman. Under the proposals, his brothers, Maurice and Elie - Dwek's chairman and joint managing director respectively - will resign from the company to pursue other interests. Mr Leon Dwek is joined by fellow directors Mr Alexander Cohen and Mr Alan Cohen, and by Mr David Egan, Dwek's company secretary. Hillshott is backed by the Electro-Candover Direct Investment Plan and the Bank of Scotland. The offer is being made on their behalf by N M Rothschild.

Computer People in US purchase

By Vanessa Houlder

Computer People, computer staff agency, is accelerating its move into the US computer services market with the acquisition of the US Professional Services Group, part of Sterling Software, for a maximum of \$14m (£8.2m). Mr Anthony Lambie, marketing director, said that the acquisition would greatly expand the company's business in the US, where it has been trading for 12 years. "The US has 50 per cent of the world's computer services, so to be a big player in the world you have to be a big player there," he said. "USPSG supplies contract programming services throughout the US, mainly to Fortune 500 companies. Acquired by Sterling Software in 1985, it suffered from the subsequent departure of senior management and in the year to September 1987 it incurred a loss of \$700,000 on turnover of \$22.5m. At that date it had net assets of \$3.5m. The initial payment is \$3.5m in cash, with additional payments depending on profits over the next two years. The acquisition will be partly financed by a £2m placing.

Nat Telecoms offer 17 times subscribed

The offer for sale of 9.25m shares in National Telecommunications, telephone management systems company, was 17 times subscribed when it closed yesterday. The issue, which values the company at nearly £30m, received 90,000 applications for a total of 165m shares. Allocations are expected to be announced on Monday.

Central Motor ahead

Pre-tax profits of USM quoted Central Motor Auctions rose 43 per cent to £276,000 in the six months ended April 30 1988. The seasonal pattern of sales leads to considerably greater results in the second half, said Mr Eric Myers, chairman. Earnings were 3.02p (2.27p) per share and, as indicated in the prospectus, the interim dividend is 0.75p.

Runciman - still 'no'

Walter Runciman has repeated its rejection of the £27.4m takeover bid from Telfos Holdings.

Tranwood rises to £0.64m

By Clay Harris

Tranwood Group increased pre-tax profits to \$644,000 in the six months to June, the final full reporting period before its demerger into separate financial services and manufacturing companies. That split took effect yesterday. The rise from £276,000 pre-tax was achieved on turnover ahead from \$4.4m to \$4.93m. Earnings per share rose to 0.5p (0.31p restated). There is no dividend apart from the distribution of assets involved in the demerger. At the trading level, the hogery manufacturer Best Brand (as the fully listed company was renamed yesterday) achieved profits of \$644,000 on sales of £3.81m. The financial services activities, including corporate finance adviser Tranwood East, institutional stockbroker Ariel and PA agency Blackwood, made £456,000 on turnover of £1.13m. The offshoot containing these operations is to trade on the USM as Tranwood.

M and S off to good start

Marks and Spencer has made an encouraging start to its current year. Lord Rayner, chairman, told shareholders at yesterday's annual meeting. However, April was a disappointing month with Easter falling in March this year, but he said ladieswear, which suffered flat trading in 1987, had made a strong recovery. The shares eased 2p to 174p yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding Div	Total for year	Total for year
AAH Holdings	6.62	Aug 26	5.76	10.22	9
Assoc Newspapers Int	2.25	Aug 26	2.5	5.5	2.5
Barbour Index	5.5	Oct 6	5.5	5.5	1.75
British Building	2	-	1	3	2.5
Brunning	2.5	-	2.5	3.75	2.5
Crabtree & Wain	0.55	Sept 1	0.5	0.77	0.7
Central Motor	0.75	Oct 3	-	-	1.41
Dewhurst	0.58	-	0.47	-	1.21
Domino Printing	1.5	-	1.2	-	2.9
Ferrandi	1.61	-	1.4	-	2.38
Jones, Stroud	4	Oct 15	3.25*	6	5*
Kershaw (A)	6	Sept 26	4.75	-	18.5
Kleen-Ex	6	-	nil	-	6
Norfolk House	0.75	Sept 8	-	-	6
Low & Bonar	2.2	-	1.85	-	2.1
Owners Abroad	0.6	Oct 7	-	-	21.75
Rank Org	8.5	Sept 26	7.25	-	1.15
Ransoms (Wm)	0.9	-	0.75	1.34	2.2
Tinsley (Edna)	2.8	-	2.2	3.35	2.2
Wood (SW)	2	-	nil	-	nil

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market.

BOARD MEETINGS

Company	Date
Micro Systems	July 20
Marney International	July 20
Marney Trust	July 21
St Andrew Trust	July 21
Wickes	July 26
Pharm	Sept 15
Cliff (Matthew)	July 26
Goode Durand	July 22
Member Securities	July 26
Mastec Investments	Aug 11
Park Food	July 29
Parsons International	July 27
Royal Dutch Petroleum	July 27
Shell Transport	July 27
WCR	July 27

**TO LET**  
EC2  
**10,400 SQ. FT.**  
AIR-CONDITIONED OFFICES  
IMMEDIATE POSSESSION  
01-374 4161 25 Finsbury Circus, London EC2M 7EE

**TO LET**  
London Wall Buildings, EC2  
GROUND FLOOR - 1,727 sq. ft.  
4th FLOOR - 1,876 sq. ft.  
ALL ENQUIRIES  
NEWTON PERKINS 01-488 1355 SAVILLS 01-374 4161

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution.

**Rolls-Royce plc**  
£150,000,000  
9 5/8% Notes due 1993

Goldman Sachs International Corp.  
Chase Investment Bank  
SBCI Swiss Bank Corporation Investment banking  
S.G. Warburg Securities  
Banca del Gottardo  
Bankers Trust International Limited  
Banque Paribas Capital Markets Limited  
Barclays De Zoete Wedd Limited  
Citicorp Investment Bank Limited  
Daiwa Europe Limited  
Generale Bank  
Kuwait International Investment Co. S.A.K.  
Merrill Lynch International & Co.  
J.P. Morgan Securities Ltd.  
Mitsubishi Trust International Limited  
Prudential-Bache Capital Funding  
Sumitomo Finance International  
Union Bank of Switzerland (Securities) Limited  
Yasuda Trust Europe Limited

Amsterdam-Rotterdam Bank N.V.  
Banque Bruxelles Lambert S.A.  
BNP Capital Markets Limited  
Banque Privée Edmond de Rothschild S.A.  
Baring Brothers & Co., Limited  
County NatWest Limited  
Deutsche Bank Capital Markets Limited  
IBJ International Limited  
LTCB International Limited  
Samuel Montagu & Co. Limited  
Morgan Stanley International  
Nomura International Limited  
Shearson Lehman Hutton International  
Sumitomo Trust International Limited  
United Overseas Bank

July, 1988

**AAH HOLDINGS plc**  
PRELIMINARY RESULTS  
Record profits, earnings and dividends in an eventful year.

**FINANCIAL HIGHLIGHTS**

	1987/88	% change
Turnover	£1,008m	+15%*
Profit before taxation	£24.5m	+24%*
Earnings per ordinary share	28.3p	+19%
Recommended final dividend per share	6.624p	+15%

\*percentages calculated on restated 1986/7 results.

- "special challenges dealt with effectively"
- "Electrical Supplies division added"
- "new opportunities to expand Pharmaceuticals division"
- "another successful year in prospect"

Bill Pybus, Chairman.

To obtain a copy of our preliminary announcement please write to the Secretary, AAH Holdings plc, 76 South Park, Lincoln LN5 8ES.

The contents of this statement, for which the Directors of AAH Holdings plc are solely responsible, have been approved for the purposes of section 57(1) of the Financial Services Act 1986 by Cooper & Lybrand who are authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

COMMODITIES AND AGRICULTURE

Speculators drive sugar price to 7-year peak

BY DAVID BLACKWELL

SUGAR PRICES continued the strong advance of the past few weeks, with London prices following the sharp overnight gains in New York as speculative money spilled over from the booming Chicago agricultural markets.

Gaza trade accord on test

BY ANDREW WHITLEY IN TEL AVIV

THE GAZAN citrus industry has reached a ground-breaking agreement with a group of European Community importing houses on the sale of 16,000 tonnes of oranges and grapefruit.

More producers cut zinc prices

BY KENNETH GOODING, MINING CORRESPONDENT

SAVAGE ZINC price cuts by European producers yesterday followed a retreatment, not the advance to a sustained price fall, analysts and traders said yesterday.

spired advance in the Chicago agricultural markets. There is also concern about the US sugar crop following the drought.

Brazil plans 14 per cent rise in cereal output

BY JOHN BARHAM IN SAO PAULO

BRAZIL PLANS to increase its output of grain by 14 per cent next year to 75m tonnes as a result of the US drought, Mr Iris Resende, the Agriculture Minister, said.

UK gold assay figures buoyant

BY KENNETH GOODING

MORE EVIDENCE that the gold jewellery business is in a particularly buoyant phase has been provided by figures from the UK Assay Offices showing a substantial increase in the number of gold articles submitted for hallmarking in the second quarter of this year.

Deborah Hargreaves describes the frenetic atmosphere in drought-driven futures markets

Making history in Chicago's grain pits

BY DEBORAH HARGREAVES

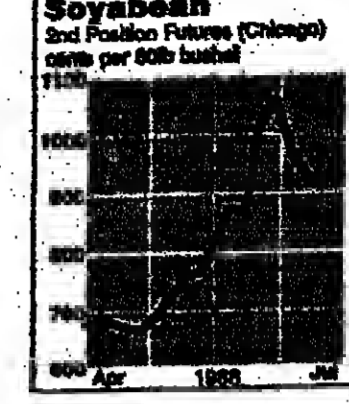
AS A digital clock flashes away the seconds before 9.30 am on a sultry morning in Chicago, tense commodity traders crowd the grain floor at the city's Board of Trade.

Canada plans platinum and silver coins

BY DAVID OWEN IN TORONTO

IN AN attempt to capitalise on the success of the gold Maple Leaf, the Royal Canadian Mint is to expand its range of precious metal coins to encompass platinum and silver.

"The funny thing is that none of us professional veterans in this market participated in the run-up until now, because we couldn't believe it wouldn't rain in June"



into agricultural commodities since the crash. Mr Richard Dennis, one of Chicago's biggest speculative traders, has been trading soybeans since the computer 40 hours above the steady trading floor.

One Chicago commodities trader has his own motto scrawled on a scrap of paper and stuffed into the pocket of his brightly-coloured trading jacket. It says "beans in the house", an optimistic prediction of the soybean futures price which he carries as a lucky charm.

push the market strongly into reverse. "The funny thing is," muses Mr Paul McGuire, who has been trading grain for over 40 years, "that none of us professional veterans in this market participated in the run-up until now, because we couldn't believe it wouldn't rain in June."

Speculators were badly beaten as the market went an emotional nose-dive for two days last week amid scattered showers in the Midwest. But their money remained to outpace a market move.

UK gold assay figures buoyant

MORE EVIDENCE that the gold jewellery business is in a particularly buoyant phase has been provided by figures from the UK Assay Offices showing a substantial increase in the number of gold articles submitted for hallmarking in the second quarter of this year.

Canada plans platinum and silver coins

IN AN attempt to capitalise on the success of the gold Maple Leaf, the Royal Canadian Mint is to expand its range of precious metal coins to encompass platinum and silver.

World Commodities Prices

Table with multiple columns for various commodities like Wheat, Soybean, and Corn, showing prices in different markets.

LONDON MARKETS

SILVER PRICES rose sharply in London yesterday in active trading, with the Swiss buying heavily. The bullion price closed at 732 cents on ounce, a rise of 29 cents on the day.

Table for COCOA 1/2000s, showing prices for various grades and quantities.

Table for LONDON METAL EXCHANGE, listing prices for various metals like Aluminum, Copper, and Lead.

Table for POTATOES 1/2000s, showing prices for different potato varieties.

Table for SOYBEAN MEAL 1/2000s, showing prices for different grades.

Table for FRESH FRUIT FUTURES, listing prices for various fruits like Apples and Pears.

Table for SOYBEAN OIL 1/2000s, showing prices for different grades.

Table for SPOT MARKETS, listing prices for various commodities like Crude oil, Gas, and Rubber.

Table for RUBBER 1/2000s, showing prices for different grades of rubber.

Table for LONDON BULLION MARKET, listing prices for Gold, Silver, and Platinum.

Table for SOYBEAN OIL 1/2000s, showing prices for different grades.

Table for FRESH FRUIT FUTURES, listing prices for various fruits like Apples and Pears.

Table for SOYBEAN OIL 1/2000s, showing prices for different grades.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar holds in a tight range

IT WAS a fairly predictable day on the foreign exchanges, at least as far as the dollar was concerned. The currency was locked in a tight range ahead of today's US trade figures for May.

A steady increase in US money market rates has lent support to the dollar in recent weeks, but yesterday's rise in bank prime lending rates was already discounted to a large extent.

The best news of the day was on UK average earnings in May. These rose at a seasonally adjusted 8.5 p.c., against City forecasts ranging up to 9 p.c.

A rise of 0.6 p.c. in May UK industrial production was within the range of most expectations. Starting hovered around the \$1.69 level for most of the day, before closing 15 points lower than Wednesday's finish at \$1.6895.

Intervention by central banks to sell the dollar will be on a modest scale, and mainly confined to the West German Bundesbank.

Dealers regard DML8500 as a strong resistance level. The dollar touched a peak of DML8480 yesterday, but could make a strong attack on the resistance point if the trade figures are reasonably good.

This probably means a deficit in May of less than the \$10bn median market forecast, compared with \$9.9bn in April. A deficit of over \$10bn is regarded as disappointing, but may prove only a temporary hiccup in the dollar's upward progress, unless it is considered worryingly high.

As the market adjusted positions, ahead of the trade data the dollar rose to DML8470 from DML8450, to Y133.15 from Y132.90, and to FF6.2825 from FF6.2250, but was unchanged at SF1.6315.

According to the Bank of England the dollar's exchange rate index fell to 96.1 from 96.2. The Bundesbank sold a relatively large \$86.5bn at the Frankfurt fixing, and was also seen in

the open market at around the DML8480 level, but the action did not appear to be very aggressive or involve other central banks.

A meeting of the Bundesbank council credit policy was left unchanged. The authorities have tended to drive money market rates up in recent weeks, but may be waiting to see the impact of the US trade figures before deciding whether to support the D-Mark with another increase in official rates.

In Milan the Bank of Italy sold \$10m when the dollar was fixed at its highest level against the dollar since December 12, but the market was very calm. There was no sign of intervention to support the lira against the D-Mark at the fixing.

The lira remains the weakest member of the European Monetary System. Yesterday's rise in Dutch interest rates was regarded as a move by the authorities to strengthen the Dutch guilder which has slipped below the D-Mark in the EMS.

The Belgian National Bank made a similar move on Wednesday. Sterling opened on a weak note, but received a boost from better than expected economic data, only to fall back on a warning from Mr Nigel Lawson, the Chancellor, that he is not happy with the current level of UK inflation.

The best news of the day was on UK average earnings in May. These rose at a seasonally adjusted 8.5 p.c., against City forecasts ranging up to 9 p.c.

The market was also pleased when the April rise was revised down to 8.5 p.c. from 8.75 p.c. The downward trend in unemployment was also encouraging, and the June figure was in line with market forecasts.

A rise of 0.6 p.c. in May UK industrial production was within the range of most expectations. Starting hovered around the \$1.69 level for most of the day, before closing 15 points lower than Wednesday's finish at \$1.6895.

Intervention by central banks to sell the dollar will be on a modest scale, and mainly confined to the West German Bundesbank. Dealers regard DML8500 as a strong resistance level.

FINANCIAL FUTURES

The good news and the bad

IT WAS a mixture of the good news and the bad as far as London's financial markets were concerned yesterday, and the general tone was not as promising by the end of the day as it once looked.

Three-month sterling deposit futures finished towards the lower end of the day's range on LME, and long term gilt futures were little changed around the middle of the day's range.

This was a disappointing performance, reflecting the unexpectedly good news on UK average earnings. The lower than expected figure on earnings in May temporarily reduced some of the fears about inflationary pressure, but the encouragement for the market was short lived.

In the afternoon, Mr Nigel Lawson, Chancellor of the Exchequer, told Parliament he was dissatisfied with the current level of inflation, and that interest rates will be set at whatever level is necessary to bear down on inflation.

The futures market received another jolt when US banks increased their prime lending rates, although the move was not totally unexpected.

US Treasury bond futures closed near the day's low on Liffe, as the rise in prime rates wiped out earlier small gains on the news that US retail sales rose 0.5 p.c. in June.

Market volume remained subdued ahead of today's figures on US trade.

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Market volume remained subdued ahead of today's figures on US trade.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for currency, unit, and rate. Includes D-Mark, French Franc, Italian Lira, etc.

STERLING INDEX

Table showing Sterling Index values for various currencies and dates.

CURRENCY RATES

Table with columns for currency, bank, and rate. Includes Sterling, US Dollar, etc.

CURRENCY MOVEMENTS

Table showing currency movements and percentage changes for various currencies.

OTHER CURRENCIES

Table showing rates for other currencies like Australian Dollar, Canadian Dollar, etc.

MONEY MARKETS

INTEREST RATES took another upward turn yesterday when major US banks increased their prime lending rates by 1/4 p.c. to 9 1/4 p.c., and the Dutch Central Bank increased the rate on special advances to the money market.

The rate on special advances was raised to 4.4 p.c. from 3.9 p.c. This was more than expected in the market. Dealers were looking for an increase to about 4.1 p.c., but the move was said to reflect a weakening of the guildler against the D-Mark, within the EMS.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various currencies.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and terms.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

MONEY RATES

Table showing money rates for Treasury Bills and Bonds.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

PHILADELPHIA SIX MONTHS

Table showing Philadelphia six months rates for various currencies.

LONDON SIX MONTHS

Table showing London six months rates for various currencies.

LIFE LONG GILT FUTURES OPTIONS

Table showing life long gilt futures options for various terms.

LIFE LONG TREASURY BOND FUTURES OPTIONS

Table showing life long treasury bond futures options for various terms.

LIFE FT-SE INDEX FUTURES OPTIONS

Table showing life FT-SE index futures options for various terms.

CHICAGO

Table showing Chicago market rates for various currencies.

SWISS FRANC

Table showing Swiss franc market rates for various currencies.

FT-SE 100 INDEX

Table showing FT-SE 100 index values and movements.

EUROPEAN OPTIONS EXCHANGE

Large table showing European options exchange data for various series and dates.

TOTAL VOLUME IN CONTRACTS

Table showing total volume in contracts for various options.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

MEMBERS OF BRITISH MERCHANT BANKING & SECURITIES HOUSES

Table listing members of British merchant banking and securities houses.

FT LAW REPORTS

Buy-back liability survives

CHASE MANHATTAN (ASIA) LTD v FIRST HONGKONG CITY FINANCE LTD. Court of Appeal of Hong Kong (Judges of Appeal Kemaquer, Judd and Lord Goff). Judgment of Appeal Clough and Mr Justice Rihind: July 1 1988.

The Hong Kong Court of Appeal held when allowing an appeal by Chase Manhattan (Asia) Ltd from Mr Justice Jones that a "buy back" agreement between Chase Manhattan and First Bank City Finance Ltd (FBCF) was void as against the Official Receiver. An appeal by Chase Manhattan from the judge's refusal to make a declaration of trust in its favour in respect of a promissory note assigned to it by FBCF was dismissed.

Jones on the Official Receiver's summons must be set aside. Consideration of the appeal on Chase Manhattan's summons revealed that the SwFr10m promissory note assigned to it by FBCF, was never indorsed or delivered when the purchase price was paid, as required by the April 7 instrument. Since the agreement therein was part performed and Chase Manhattan would have been entitled to an order for specific performance of FBCF's obligation to indorse and deliver when the purchase price was paid, as required by the April 7 instrument, the agreement was not void.

Recourse might be had to all the circumstances in which the transaction came about. No evidence was adduced to show that the April 7 document was not a true record of the transaction. Since FBCF could not recover from Chase Manhattan the moiety of the loan before the "buy back" date, or interest after that date, and since the parties were under no liability to account to each other for profit or loss made by Chase Manhattan on its sale prior to document, the terms of the April 7 document seemed to demonstrate the incidents of a sale rather than of mortgage or charge.

The April 7 transaction was to be construed, according to its tenor, as a sale with provision for repurchase. If that was right, it was not void as against the Official Receiver by reason of section 80. If it was wrong, any charge in favour of Chase Manhattan would have terminated on June 30 at the same time as the assignment of FBCF's interest in the moiety of the loan, and its rights under the promissory note and letter of credit.

The order made by Mr Justice Jones in June 1987 Mr Justice Jones granted the relief sought by the Official Receiver, and refused that sought by Chase Manhattan. Chase Manhattan appealed against both determinations. Section 80(2)(c) called for registration of charges made on the "book debts" of a company. Those were such debts as would be entered in the books of a well-constituted organisation. The SwFr10m loan would come within such parameters. Promissory notes or other negotiable instruments were not book debts. Nor were they to be treated as charges on book debts within the meaning of the section if deposited to secure repayment of borrowed moneys.

SATELLITE BROADCASTING

The Financial Times proposes to publish this survey on: 29th JULY

For a full editorial synopsis and advertisement details, please contact: SARAH PAKENHAM-WALSH on 01-248 8000 ext 4611

or write to her at: Bracken House 10 Cannon Street London EC4P 4BY

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbot Management Ltd, and Abnott Management Ltd, including their names and brief descriptions.

Table listing unit trusts under the heading 'Abnott Management Ltd' and 'Abnott Management Ltd'.

Table listing unit trusts under the heading 'Abnott Management Ltd' and 'Abnott Management Ltd'.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5679. Reuters Code: IGIN, IGIO.

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,682 SET BY COURIER

Crossword puzzle grid with numbers 1 through 27 indicating starting positions for words.

- ACROSS
1 Offer a noted start (5)
2 Restrain hair, not down (4,3)
3 One who plays at work - as a maybe (8)
4 Nothing thereabout regarding this matter (5)
5 Sing badly after peaceful truce (5)
6 Leave ship work to start tongues wagging (10)
7 Lower than a thief, he may arrange a final journey (10)
8 Fading instruction in 1 across perhaps (10)
9 I sport new university exams (6)
10 Keep a rat around, and another pet maybe (8)
11 Number about in 1 across (6)
12 Spray that might produce aero-mist (6)
13 Layers give a start when upset (6)
14 Topped sound instruction to give it a light blow (6)
15 A backward marianman (4,6)
16 Then moon for June, for maintain (3,5)
17 Masthead account as remainder (8)

DOWN
1 Stable lad produced sterol mixture (6)
2 A number of legs (6)
3 Topped sound instruction to give it a light blow (6)
4 A backward marianman (4,6)
5 Then moon for June, for maintain (3,5)
6 Masthead account as remainder (8)

Table listing unit trusts under the heading 'Anderson Orme Unit Trust' and 'Anthony Water Unit Trust'.

Table listing unit trusts under the heading 'Arkwright Management' and 'Asset Unit Trust'.

Table listing unit trusts under the heading 'Ballie Gifford & Co Ltd' and 'Bank of Ireland Fund'.

Table listing unit trusts under the heading 'Barclays Unit Trust' and 'Barclays Overseas'.

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Table listing unit trusts under the heading 'Brown Shipley & Co Ltd' and 'Buckingham Palace'.

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GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information Service is... They represent the marketing, administrative and other costs which have to be paid by the investor... OFFER PRICE... THE MAXIMUM SPREAD... THE TIME SHOWN... THE LETTER F... THE LETTER P...

Handwritten note: July 15/88

FT UNIT TRUST INFORMATION SERVICE

Handwritten note: "July 15 1988"

INSURANCES

Main table containing financial data for various insurance and unit trust companies, including names, addresses, and financial metrics.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with their respective details.

Continued on next page



FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Main table containing FT Unit Trust Information Service data, including columns for fund names, NAV, and performance metrics.

Table titled 'BRITISH FUNDS' and 'BRITISH FUNDS - Contd', listing various UK-based investment funds with their respective NAVs and returns.

Table titled 'FOREIGN BONDS & RAILS' and 'AMERICANS', listing international investment funds and their performance.

Table titled 'MONEY MARKET TRUST FUNDS' and 'MONEY MARKET BANK ACCOUNTS', listing various money market investment options.

Table titled 'MONEY MARKET TRUST FUNDS' and 'MONEY MARKET BANK ACCOUNTS', listing various money market investment options.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and percentage change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and percentage change.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock name, price, and percentage change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock name, price, and percentage change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for stock name, price, and percentage change.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and road companies (continued) with columns for stock name, price, and percentage change.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock name, price, and percentage change.

DRAPERY AND STORES

Table listing drapery and store companies with columns for stock name, price, and percentage change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies (continued) with columns for stock name, price, and percentage change.

DRAPERY AND STORES - Contd

Table listing drapery and store companies (continued) with columns for stock name, price, and percentage change.

ELECTRICALS

Table listing electrical companies with columns for stock name, price, and percentage change.

DRAPERY AND STORES - Contd

Table listing drapery and store companies (continued) with columns for stock name, price, and percentage change.

DRAPERY AND STORES

Table listing drapery and store companies (continued) with columns for stock name, price, and percentage change.

DRAPERY AND STORES

Table listing drapery and store companies (continued) with columns for stock name, price, and percentage change.

ENGINEERING - Contd

Table listing engineering companies (continued) with columns for stock name, price, and percentage change.

ENGINEERING - Contd

Table listing engineering companies (continued) with columns for stock name, price, and percentage change.

ENGINEERING - Contd

Table listing engineering companies (continued) with columns for stock name, price, and percentage change.

ENGINEERING - Contd

Table listing engineering companies (continued) with columns for stock name, price, and percentage change.

INDUSTRIALS (Misc.) - Contd

Table listing industrial companies (continued) with columns for stock name, price, and percentage change.

INDUSTRIALS (Misc.) - Contd

Table listing industrial companies (continued) with columns for stock name, price, and percentage change.

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INDUSTRIALS (Misc.) - Contd

Table listing industrial companies (continued) with columns for stock name, price, and percentage change.

INDUSTRIALS (Misc.) - Contd

Table listing industrial companies (continued) with columns for stock name, price, and percentage change.

INSURANCES

Table listing insurance companies with columns for stock name, price, and percentage change.

LEISURE

Table listing leisure companies with columns for stock name, price, and percentage change.

Handwritten note: July 15/66

LONDON SHARE SERVICE

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LEISURE - Contd

Table listing leisure companies such as British Airways, British Caledonian, and others, with columns for stock price, change, and volume.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies like News International, Newsprint, and others.

TEXTILES - Contd

Table listing textile companies such as British Textiles, J. H. Rayner, and others.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies like British Land, National Westminster, and others.

OIL AND GAS - Contd

Table listing oil and gas companies such as British Petroleum, Shell, and others.

MINES - Contd

Table listing mining companies like Anglo American, De Beers, and others.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies such as British Aerospace, Jaguar, and others.

PROPERTY

Table listing property companies like British Land, National Westminster, and others.

TOBACCO

Table listing tobacco companies such as British American Tobacco and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies like British Land, National Westminster, and others.

FINANCE, LAND, ETC

Table listing finance, land, and other companies like British Land, National Westminster, and others.

OVERSEAS TRADERS

Table listing overseas trading companies such as British Overseas Airways and others.

PLANTATIONS

Table listing plantation companies like British Plantations and others.

MINES

Table listing mining companies like Anglo American, De Beers, and others.

THIRD MARKET

Table listing third market trading data for various securities.

NOTES

Stock Exchange dealing classification is indicated to the right of security names. Alpha, Beta, Gamma, Delta, Epsilon, and Feta are used to denote different levels of risk and volatility.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks such as Anglo Irish Bank, Anglo Irish Insurance, and others.

TRADITIONAL OPTIONS

Table listing traditional options for various stocks, including call and put options.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies like News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies like News International, Newsprint, and others.

SHIPPING

Table listing shipping companies like British Overseas Airways, British Caledonian, and others.

SHOES AND LEATHER

Table listing shoes and leather companies like British Shoe and others.

SOUTH AFRICANS

Table listing South African companies like Anglo American, De Beers, and others.

TEXTILES

Table listing textile companies such as British Textiles, J. H. Rayner, and others.

OIL AND GAS

Table listing oil and gas companies such as British Petroleum, Shell, and others.

FINANCE

Table listing finance companies like British Land, National Westminster, and others.

Australians

Table listing Australian companies like Anglo American, De Beers, and others.

A selection of British banks is given on the London Stock Exchange Report page. This service is available to every company dealt in on the Exchange throughout the United Kingdom for a fee of £500 per annum for each security.

LONDON STOCK EXCHANGE

Economic data well received but markets remain nervous ahead of US trade news

Account Dealing Dates table with columns for First Declared, Last Declared, and Account Dates.

Share deals... New share deals... 9.00 am to 10.00 am...

SATISFACTION in London securities markets with the latest data on the UK economy was restrained yesterday by an unexpected increase in prime rates by the New York banks...

at consumer spending and mortgage activity. The international blue chips were mostly easier as the market waited to see how the foreign exchange sector will react today to the US trade figures...

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Securities, Fixed Interest, Ordinary, Gold Mines, Div. Yield, etc., with columns for July 14, 13, 12, 11, 8, 5, 1988, and Stock Completion.

Others took a different view, but even if the deal does not go through, BAE shares should be bought on the back of the recent Saudi Arabian arms agreement.

Vickers buy recommendation while persistent institutional demand lifted Amstrad 4 to 21p. Cable & Wireless, where buyers topped 5m, stood up 13 to 380p on the back of a substantial buying order early in the day...

speculative. Nurdin & Peacock improved 4 to 180p on confirmation that Dutch holding company SEV has a 5 per cent stake.

However, bond prices made no response to the Citicorp statement on the day. The equity sector, which had been edging higher following news of buoyant industrial production and better-than-expected earnings data for the UK, turned down on the half price rise in US primes to 9 1/2 per cent.

Turnover was a shade better than earlier in the week, but retail investors remained on the sidelines, keeping a wary eye on the US bond sector.

either Vendex or the Italian retailers Jecox, who hold 19.5 per cent of Empire, ever sold their stakes, the UK firm would be wide open to a bid from a foreign aggressor.

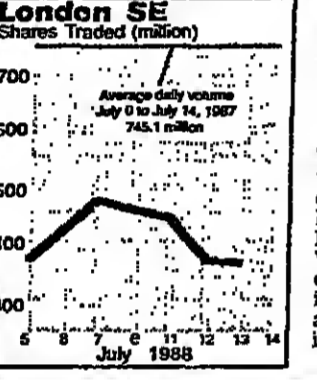
In the second-liners Aran edged up 2 to 82p and Clyde added a penny to 135p after encouraging news from the Gryphon exploration well 9/180-12.

Composites were "lifeless", dealers said. Commercial Union were marked down 3 to 37p and similar falls were seen in Sun Alliance, 80p and Royals, 40p.

Stores stocks rallied well in the morning, only to be pegged back in the afternoon by the Chancellor's expressed concern about domestic inflation.

The Foods sector was enlivened by the speculation surrounding Marks & Spencer which rose 2 to 452p in turnover of 5m shares.

Business in the Traded Options Market picked up, with a total of 26,566 contracts traded on the day (23,290 calls and 3,276 puts).



The FT-SE 100 index closed 8 points down at 1863.3, its lowest point for the day.

ICI ended at 210 1/2, down after minimal turnover. Interim figures are due on July 29. Kielder was forecast for the second quarter and 7/84m for the full interim.

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British Aerospace continued to provide a major talking point, following the last minute hitch in the expected Rover car group deal.

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FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS table with columns for Index No., Day's Change, Est. Earnings, Gross Yield, etc., listing various industry groups like CAPITAL GOODS, BUILDING, etc.

FIXED INTEREST

Table showing Average Gross Redemption Yields for various fixed interest instruments like British Government, Insurance, etc.

LONDON TRADED OPTIONS

Table showing CALLS and PUTS for various stocks like Allied Lyons, Biff. Airways, etc., with columns for Index, Call, Put, etc.

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988 for various companies like AMERSON, BARRACLOUGH, etc.

RISES AND FALLS YESTERDAY

Table showing rises and falls for various financial instruments like British Funds, Corporations, etc.

LONDON RECENT ISSUES

Table listing recent issues of various companies like Anglo-Continental, etc., with columns for Issue No., Date, etc.

FIXED INTEREST STOCKS

Table showing fixed interest stocks like British Government, Insurance, etc., with columns for Index, Day's Change, etc.

RIGHTS OFFERS

Table showing rights offers for various companies like Anglo-Continental, etc., with columns for Issue No., Date, etc.

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WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, France, Germany, Netherlands, Sweden, and Switzerland. Columns include country, date, and various stock indices.

Table of stock market data for Japan, Korea, and Hong Kong. Columns include country, date, and various stock indices.

CANADA

Table of stock market data for Canada, including Toronto 2pm prices and various stock indices.

OVER-THE-COUNTER

Table of over-the-counter stock market data, including Nasdaq national market 2pm prices and various stock indices.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table showing price changes for various commodities and currencies in London.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others.

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying... in Luxembourg at the Hotel Cravat, Holiday Inn, Intercontinental Hotel, Hotel President.

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Enjoy reading your complimentary copy of the Financial Times when you're staying... in Stockholm at the Hotel Diplomat, Grand Hotel, Lady Hamilton Hotel, Hotel Resen, Hotel Sergel Plaza, Star Hotel, Strand Hotel, Royal Viking Hotel.

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying... in Gothenburg at the Hotel Gothia, Park Avenue, Sheraton.

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying... in Milano at the Diana Majestic, Duca di Milano, Hotel Excelsior Gallia, Hilton Hotel, Hotel Michelangelo, Hotel Palace, Hotel Principe di Savoia.

Advertisement for FRETZ Limousine Service, featuring chauffeur-driven executive cars in Zurich. Text includes 'FRETZ Limousine Service', 'CHAUFFEUR DRIVEN EXECUTIVE CARS IN ZÜRICH', and contact information.

Advertisement for Financial Times, featuring a large image of the newspaper and text promoting complimentary copies for business travelers.

Closing prices July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for '12 Month High Low' and '12 Month High Low'.

Continued on Page 37

Handwritten note: 404, 101, 170

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change. Includes a 'Continued from previous page' header.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change. Includes a 'Nasdaq national market' header.

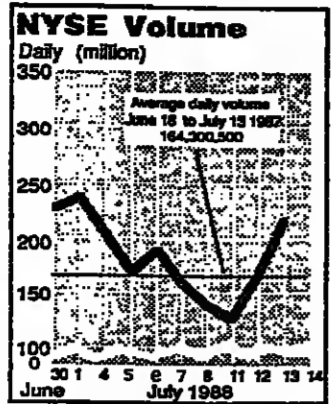
Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered in Germany' and details about subscriptions.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered' and details about subscriptions.

AMERICA

Investors hold fire and await US deficit figures

CONCERN about prospects for interest rates and a round of prime rate increases were overridden by caution prior to today's US trade figures for May and stocks and bonds markets were left with little direction yesterday, writes Janet Bush in New York.



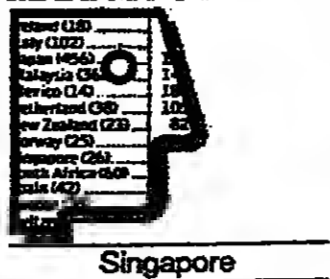
market operations carefully for any signs that another tightening move is underway. Several major banks yesterday announced their second quarter results. Chemical Bank announced net earnings in the second quarter of \$1.98 a share compared with a net loss of \$2.34 a share a year earlier which had been due to a \$1.1m special addition to its allowance for loan losses.

THE DISCERNIBLE air of self-satisfaction about the Singapore Stock Exchange this year is not hard to explain. Until 1985 it had been - in the words of one of its senior officers - a 'cozy, homespun exchange, characterised by an aversion to change or to interference from outsiders.'

Confident Singapore alters trading systems

not later than the following market day. There is physical delivery of all scrip on the main board. The trading system was also changed on July 8 when the exchange moved to a new trading floor and market orders and limit orders were introduced.

MARKET PROFILE



this year to a high of 1,118.48 yesterday. Much of the credit for the market's survival in the crash was given to the then controversial settlement and delivery system introduced in early September which helped to limit speculation.

Individual companies may also impose their own rules. Singapore Airlines, for example, has a 25 per cent foreign ownership limit. Investors holding 5 per cent or more of a company's issued share capital have to notify the company.

The screen-based Stock Exchange of Singapore Dealing and Automated Quotation System (SEAS) currently lists eight securities in the first quarter of the year was \$68.17 shares. All payments and settlements on SEAS have to be made on the fifth market day following the date of contract.

member firms of the exchange. Last year several local brokers were allowed to form partnerships with foreign firms and more are expected to be approved in the months ahead as part of the process of upgrading the exchange's level of expertise.

Roger Matthews

Wall Street

The Dow Jones Industrial Average traded for most of the session virtually unchanged from its close on Wednesday, before rising in the afternoon. It closed 9.25 points higher at 2,113.62.

EUROPE

Frankfurt rallies on fresh interest but modest volume

THE DOLLAR's strength and positive company news lifted leading European bourses yesterday, but many investors stayed on the sidelines for the US trade figures, writes Our Markets Staff.

production figures for June. The trade figures are always closely looked at but, at a time when interest rates are again at the forefront of market worries, they are even more crucial because of their possible impact on the dollar.

Canada

SHARE prices in Toronto closed higher in light trading as investors kept to the sidelines ahead of Friday's report on US merchandise trade figures for May, analysts said.

Asia

Brisk demand for high-tech issues lifts Nikkei

LATE buying of leading high-technology stocks helped push share prices slightly higher in Tokyo yesterday, writes Shigeo Nishikawa of Jiji Press.

Dealers retreated to the sidelines, awaiting the outcome of the Bundesbank council meeting yesterday and the release of US merchandise trade data today.

ASIA

Singapore

SUSTAINED buying and short-covering provided a boost for equities although trading was quiet and cautious.

ASIA

Singapore

THE IMPROVEMENT on Wall Street and in commodity prices gave little joy to share prices as buyers held off for today's US trade figures.

ASIA

Hong Kong

HEAVY trading in Tokyo spurred afternoon demand and share prices closed higher in spite of caution pending the release of the US trade figures.

London

NERVOUSNESS over today's US trade data hit trading in international stocks, and most ended lower after a quiet session. The rise in US prime rates also tempered the market's mood and the FT-SE 100 index lost 8 to 1,863.3.

London

The ANP-CBS General index rose 1.2 to 266.3. Internatio-Miller rose Ft 1.90 to Ft 62 after its acquisition on Wednesday of Belgian heating and airconditioning company NV ABL.

SOUTH AFRICA

A SLIGHT rise in bullion prices and a weakening of the financial rand led to slightly firmer gold shares, in quiet and uncertain trading in Johannesburg.

Company Notices

Barings B.V. US\$ 150,000,000 Guaranteed Floating Rate Capital Notes due 2001. Payment of principal and interest guaranteed by Barings plc. In accordance with the provisions of the Notes, notice is hereby given that for the interest period from July 15, 1988 to January 17, 1989 the Notes will carry an interest rate of 8 3/4% p.a.

Legal Notices

LLI INTERNATIONAL INSURANCE INVESTORS N.V. NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held on August 18, 1988. To the Shareholders of LLI International Insurance Investors N.V.

FT - ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, THURSDAY JULY 14 1988, WEDNESDAY JULY 13 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex UK, Pacific Ex Japan, World Ex US, World Ex UK, World Ex SA, World Ex Japan, World Index.

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 23RD MAY 1988 NOTICE is now given that the following distribution will become payable on and after 16th June, 1988 against presentation to the Depository (as below) of Claim Forms listing Bearer Depository Receipts.

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